ANNUAL REPORT 2021

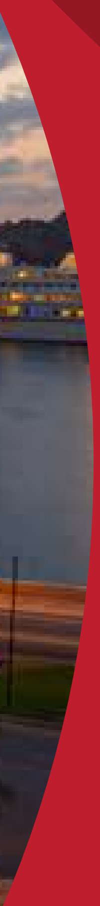
ENERGISING OMAN'S FUTURE

السوادي للطاقة

AL SUWADI POWER

HIS MAJESTY
SULTAN HAITHAM BIN TARIK

السوادي للطاقة
AL SUWADI POWER



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BOARD OF DIRECTORS AND KEY EXECUTIVE OFFICERS

Board of Directors	Position	Representing
Mr. Axel de Ghellinck	Chairperson	Kahrabel FZE
Mr. Ravinder Soin	Deputy Chairperson	
Mr. Mahmood Hamed Al Gharibi	Director	Public Authority for Social Insurance
Ms. Ashok Kumar Saproo	Director	
Mr. Bipin Dharamsey Nensey	Director	
Mr. Jurgen De Vyt	Director	
Ms. Maria Del Carmen Vidal	Director	
Mr. Muneer Abdullah Al-Balushi	Director	Civil Service Employees Pension Fund
Ms. Sameena Hasan Nagarwala	Director	Ministry of Defence Pension Fund
Mr. Makoto Imabayashi	Director	Sojitz Global Investment B.V.
Mr. Kazuichi Ikeda	Director	SEP International Netherlands B.V.

Key Executive Officers	Position
Mr. Navneet Kasbekar	Chief Executive Officer
Mr. Preetam Saraf	Chief Financial Officer

BOARD OF DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors of Al Suwadi Power Company SAOG (the "Company"), I have the pleasure to present the Annual Report of the Company for the year ended 31 December 2021.

Corporate Governance

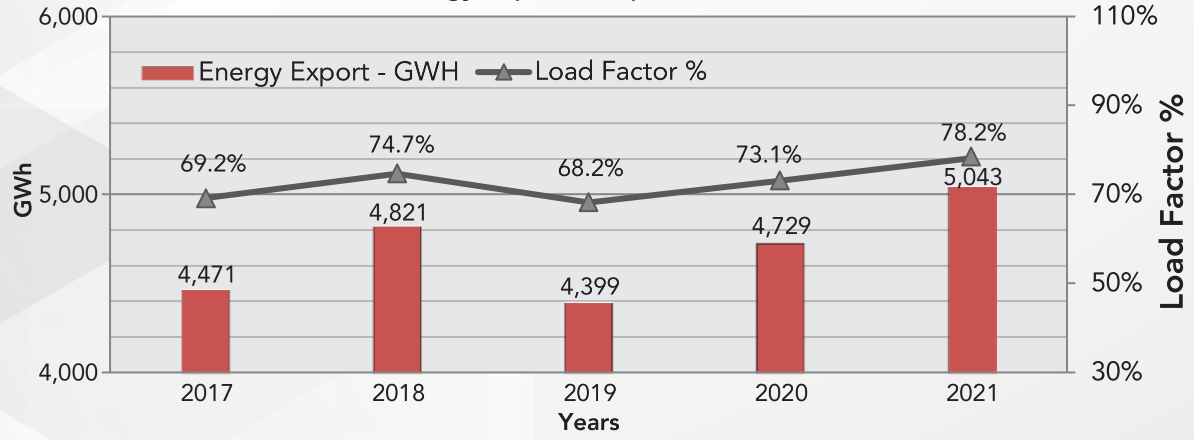
The Company has complied with the Code of Corporate Governance and applicable circulars issued from time to time by the Capital Market Authority (CMA).

Operational Results

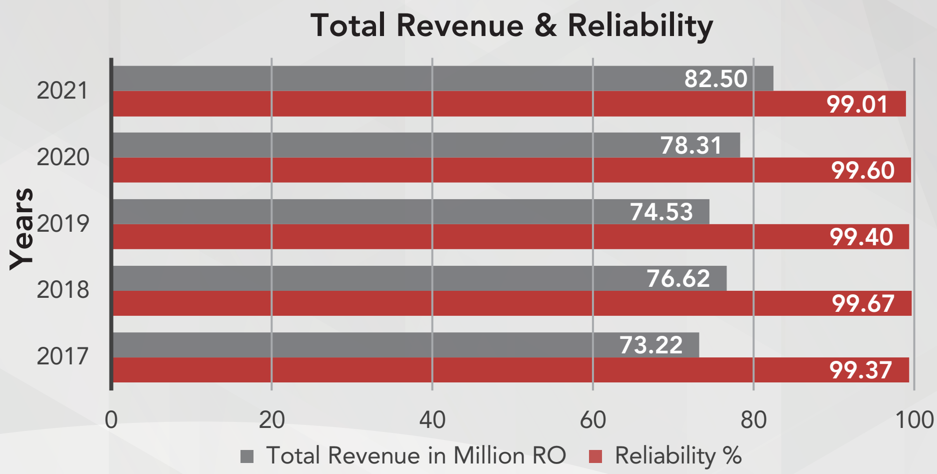
The operational performance of the plant during the year was excellent.

The consistently high plant's reliability and technologically superior fuel-efficient operations of the plant continues to place it at the higher end of the merit order list for dispatch and, as such, the plant continues to be dispatched at a high plant load. Following graph highlights the consistent increase in the plant load and the energy generated by the Company over the last five years:

Net energy export and plant load factor



The Company has seen excellent growth in its revenue over the past years. Revenue includes capacity income and energy income. The following graph depicts the growth in the gross revenue and good reliability highlighting the Company's importance in the Oman's power grid:



Due to the plant's inherent deficiency, the Company does not fully recover the fuel gas cost expended to generate power. During the year, the Company continued to experience thermal inefficiency at high generation levels as also at high plant load operating configurations that are inherently unfavorable and together, these lead to heat rate loss suffered by the Company. Engaging internationally reputed consultants to advise a solution to this situation has not been helpful so far. No credible solution was advised by them to resolve this major and financially corrosive issue. Additionally, Performance Advisor, a state-of-the-art technology, to investigate the subject, installed on an experimental basis for over a year by Siemens at the plant, has also failed to come-up with any solution to this intractable issue. Consequently, the heat rate loss issue remains a major challenge for the Company without a redress.

An extended hot gas path inspection ("eHGPI") of one gas turbine was completed during the year. The plant's 'Siemens-recommended' upgrades were implemented during the inspection. Unfortunately, during the inspection, damage to few blades and vanes of the compressor was noticed and these were replaced, albeit at a substantial financial cost (the net impact of the cost to the Company was the excess above STOMO's cap as agreed in the O&M agreement for such unexpected costs incurred during an inspection). A similar eHGPI of the other gas turbine has begun in January 2022. All other operating equipment and the balance of plant equipment were serviced as per the agreed annual maintenance program. Consistent level of high plant availability is a testament of efficient and timely plant upkeep and periodic maintenance as per the equipment suppliers' manual and 'condition-based' monitoring.

Presently, the plant's water intake facility is being proficiently modified to ensure that the plant is protected from future massive jelly fish attacks that have in the recent past not only triggered extensive and costly damage to the water intake facility but has also caused major loss of revenue due to the plant's consequential outages.

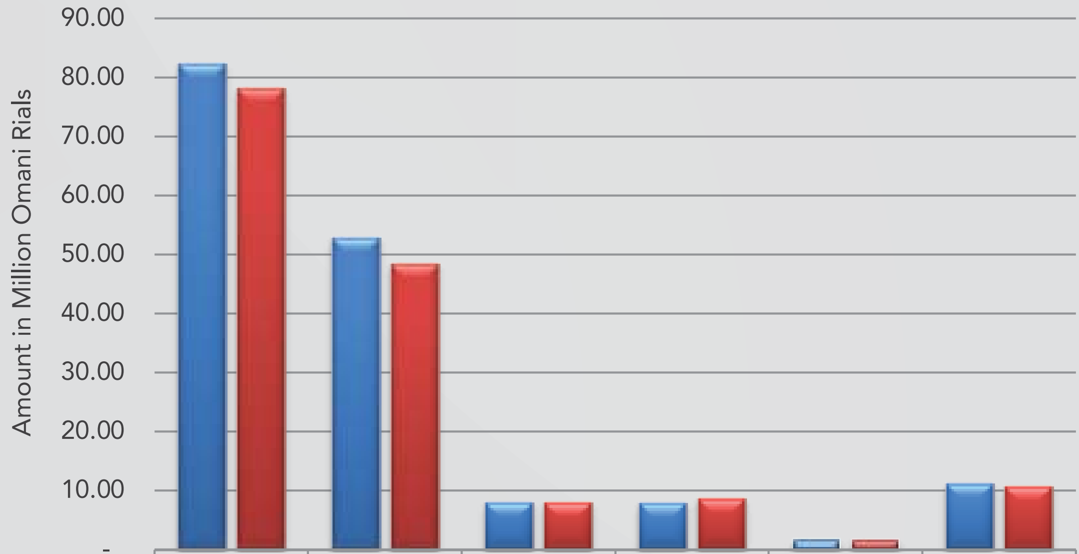
As during the previous year, during 2021, the restrictions and operational constrains due to the COVID 19 pandemic continued. It is creditable to note that STOMO's staff operated the plant seamlessly and fully supported Oman's power grid. Currently, although the plant has returned to normal shift operations, Oman's COVID-19 precautionary rules and Engie approved COVID 19 guidelines continue to be fully observed at the plant.

The plant operated for 3,835 days without any lost time accident. This was the result of sustained focus on excellence in Health, Safety, Environment and Quality Management at the plant. For this excellent performance, we acknowledge the efforts of the dedicated and diligent team of STOMO, our Operation and Maintenance Contractor.

The Company duly met all the stringent environment permit conditions promulgated by Ministry of Environment and Climate Affairs. The cyber security for the plant has also been strengthened in association with STOMO. The Company has strived to adhere to the cyber security regulations issued by the Authority for Public Services Regulation and other regulations promulgated by the CMA.

Financial Results

The following graph depicts the Company's financial performance as compared to the previous year:



	Revenue	Operating costs	Dep	Financial charges	Tax Expense	Net Income
Actual 2021	82.50	52.98	8.16	8.08	1.94	11.34
Actual 2020	78.31	48.60	8.16	8.87	1.84	10.84

Actual 2021 Actual 2020

The net income for 2021 was 4.60% higher than 2020. Revenue growth was predominantly due to higher power generation. However, this saw higher gas consumption that directly led to higher cost of gas that increased the operating costs. Further, the persistent high heat rate loss suffered by the plant and the unexpected cost of replacement of Compressor blades and vanes, as explained above, increased the operating costs. On a positive note, the reduced finance cost on account of scheduled repayment of project loans delivered higher net profit.

The monthly fuel charge invoiced by the Company to OPWP is pass-through income and when received, is finally paid to the gas supplier, Ministry of Energy and Minerals (MEM). The Company has withheld gas invoice settlement to MEM since April 2021 as OPWP has not settled Company's corresponding gas invoices. As in the past years, this issue has been successfully concluded for 2021 consequent to which the Company's receivables and payables as at December 2021 have been set off with no unfair consequences to any stake holder.

The Company has duly met all its commitments under the term loan agreement.

Finally, the Company has declared and paid dividend of 6.5 Baizas per share in 2021.

The share price stood at 48 Baizas per share at the close of 2021.

Corporate Social Responsibility

The Company takes its role as a responsible corporate citizen seriously. The year 2020 was challenging to everyone but more importantly to the students who had to continue their studies by on-line classes. Upon the request from the Ministry of Education to assist deserving students in Vilayat of Barka schools, the Company donated 143 computer tablets. To support Mussanah Primary Health center of the Ministry of Health, a dental system with view screen and monitor was donated. The Barka health center of the Ministry of Health was provided a much-needed Chambered Sterilizer set. In the light of the ongoing infectious COVID 19 pandemic and to provide clinical safely at the center, the Company agreed to fund the same. Totally, an amount of RO 20,891 was spent by the Company in respect of its CSR initiative during 2021.

Medium term Outlook

OPWP launched the Spot Market project in 2015. The Company has participated in the trial run of spot market operation. Effective January 2022, the spot market has gone 'live' and the Company has been successfully participating on a daily basis in offering our bid. All costs incurred by the Company for participating in the spot market process is being claimed from OPWP under the Change of Law protection agreed within the PPA. The Company's Power Purchase Agreement (PPA) with OPWP expires in April 2028. Consequently, as the Company's tariff is already agreed in the PPA, the spot market process will have no impact on the revenue stream of our Company until the expiry of the PPA.

Compliance of Value Added Tax, introduced in Oman from April 2021, has been successfully met. Any financial impact on the Company arising from the introduction of VAT has been claimed from OPWP under the Change of Law protection agreed within the PPA.

The Company continuously endeavors to identify and implement areas of improvement in plant operations. All reasonable measures have been taken by the management to ensure that we maintain excellent plant's operational performance in the coming years. The financial performance of the Company is mainly derived from plant's availability and reliability and as such, plant's operation and maintenance will continue to be accorded highest priority and consideration.

The Company and STOMO have strived to steadily increase the Omanisation in the staff members while ensuring smooth and reliable operation of the plant.

On behalf of the Board of Directors, I wish to express gratitude to OPWP, the Authority for Public Services Regulation, the Capital Market Authority and other governmental and non-governmental bodies for their guidance and support. I would also like to thank all personnel associated with the operation of Al Suwadi Power plant and the staff of the Company for their hard work and dedication, and also to those others such as our contractors, whose expertise has assisted us in achieving these excellent results.

Finally, on behalf of the Board of Directors, I heartily extend our best wishes to His Majesty Sultan Haitham Bin Tariq Bin Taimur Al Said. We thank the Government of Oman for creating an environment that allows us to participate effectively in the growth of the Sultanate's economy. We commit our efforts to the building of a strong Oman.

Chairperson	Director	CEO
Mr. Axel de Ghellinck	Mr. Ravinder Soin	Mr. Navneet Kasbekar

PROFILE OF MAJOR SHAREHOLDERS

Kahrabel FZE

Kahrabel FZE oversees and manages the development, construction and operation of the electricity and water production business of ENGIE group in MENA region. It is an entity 100% owned by International Power S.A., which is ultimately owned indirectly by ENGIE group. Engie is a global reference in low-carbon energy and services, committed to accelerate the transition towards a carbon-neutral world, through reduced energy consumption and more environmentally-friendly solutions. As of 2020, Engie had 172,700 employees, and revenues of 55.8 billion Euros. The Group is listed on the Paris and Brussels stock exchanges (ENGI) and is represented in the main financial indices (CAC 40, Euronext 100, FTSE Eurotop 100, MSCI Europe) and non-financial indices (DJSI World, DJSI Europe, Euronext Vigeo Eiris - Eurozone 120/ Europe 120/ France 20, MSCI EMU ESG, MSCI Europe ESG, Euro Stoxx 50 ESG, Stoxx Europe 600 ESG, and Stoxx Global 1800 ESG).

Middle East Investment LLC

Middle East Investment LLC is a subsidiary of Suhail Bahwan Group, which is one of the foremost & most reputed business house in the Sultanate of Oman.

Middle East Investment LLC is mainly engaged in investment & trading in quoted & un-quoted equity and debt securities.

Middle East Investment LLC has grown to become a reputed Omani Investment Company. An achievement resulting from unwavering commitment to Sultanate of Oman, the professionalism of the Group's employees, a keen sense of social responsibility with a strong awareness of its operating environment and the exceptional vision and close adherence to basic values. Our portfolios focus on investing in banking, power, telecom, consumer & pharmaceutical sectors that provide the opportunity to create and capture value in a risk averse manner. The Company professionally managed investment stakes consisting of local and international diversified portfolios of securities, debts and direct investment.

Sojitz Global Investment B.V.

Sojitz Global Investment B.V. (SGI) is a wholly owned subsidiary of Sojitz, which is an investment and trading corporation based in Tokyo, Japan, and listed on the Tokyo Stock Exchange.

Sojitz employs more than 19,000 people worldwide (as of September 2021) and achieved revenues of JPY 1.6 trillion in the fiscal year ended in March 2021 (IFRS basis).

Sojitz was established through the merger of Nichimen Corporation (established in 1892) and Nissho Iwai Corporation (established in 1896) in 2004. Sojitz conducts its operations in around 50 countries through over 400 consolidated subsidiaries and affiliated companies in Japan and overseas. Sojitz's business activities are wide-ranging, covering machinery, energy and metal, chemicals and consumer lifestyle. Sojitz's strength lies not only in developing financial schemes, but also in conducting accurate analysis of markets through its overseas networks and determining the commercial viability of businesses using accumulated expertise in various fields. Sojitz has used these skills to pursue opportunities in IPP/IWPP businesses as a developer, investor, finance arranger and/or project coordinator. Sojitz has been involved in IPP projects worldwide including Oman, Saudi Arabia, USA, Indonesia, Vietnam, Mexico, Sri Lanka and Japan.

Specifically in the Gulf region, Sojitz has long been actively involved in power and water business including EPC projects such as Ghubrah Phase 1, 2, 3/4 and 5, IPP projects such as PP11 IPP (1,729 MW) in Saudi Arabia and Barka-3 (744 MW, CCGT) / Sohar-2 (744MW, CCGT) in Oman and IWPP project such as Mirfa (1,600MW/ 52.5 MIGD).

Further information about Sojitz is available at: http://www.sojitz.com/en/

SEP International Netherlands B.V. (SEPI)

SEPI is a wholly owned subsidiary of Shikoku Electric Power Co., Inc. (Yonden) for investing to and managing IPP/IWPP projects outside Japan, which holds shares in Barka-3 IPP (744MW, GTCC) & Sohar-2 IPP (744MW, GTCC) in Oman, Ras Laffan C IWPP (2,730MW, GTCC & 63MIGD) in Qatar, Huatacondo IPP (98MW, Photovoltaic) in Chile, Yunlin IPP (640MW, Offshore Wind) in Taiwan, Ahlone IPP (121MW, GTCC) in Myanmar, Hamriyah IPP (1,800MW, GTCC) in UAE, South Field Energy IPP (1,182MW, GTCC) in US, El Centro (20MW, Photovoltaic) in US and Vung Ang 2 (1,200MW, Coal) in Vietnam.

Yonden, listed on the Tokyo Stock Exchange, is an electric power utility and Yonden Group carries out the integrated process of generating, transmitting, distributing, and selling electricity to approx. 4 million people in Shikoku region, Japan. Yonden employs approx. 2,300 people and has achieved consolidated operating revenues of USD 6.4 billion from the electricity sales of 27.8 billion kWh in the fiscal year ended March 31, 2021. Since its establishment in 1951, Yonden has contributed to regional development through the stable supply of low-cost, high-quality electricity by establishing a balanced energy mix that combines nuclear, coal, oil, gas, hydro, and solar power, totaling approx. 5,436MW (net and gross) in generating capacity at 64 power stations.

Especially in the thermal power field, over 400 engineers engage in engineering, construction, operation and maintenance of thermal power plants whose generating capacity is approximately 3,391MW with their comprehensive experiences, skills and know-how obtained for more than 60 years. Yonden owns two GTCC units (296MW and 289MW at its Sakaide Power Station).

Further information about Yonden is available at: http://www.yonden.co.jp/english/index.html

Public Authority for Social Insurance (PASI)

PASI is a public authority established in Oman enjoying administrative and financial independence pursuant to Royal Decree 72/91 issued on 2nd July 1991. PASI manages a defined benefit pension scheme for Omani nationals employed in the private sector through prudent, wise and long-term investment strategies. Currently the scheme members exceed 203,000 active participants.

PASI invests actively in the local and international capital markets. Locally, PASI has been a pioneer in participating in power, utility companies and major real estate projects. Internationally, PASI's investments cover both traditional (such as fixed income and equities) and alternative assets (such as private equity, infrastructure & real estate).

Further information about PASI is available at: www.pasi.gov.om

Civil Service Employees Pension Fund (CSEPF)

The Civil Service Employees Pension Fund (CSEPF) was established simultaneously with the introduction of the Law of Pensions and End of Service Benefits for Omani Nationals employed in the Government sector in the beginning of 1986.

The Fund is an independent government unit which has a juristic personality, an administrative and financial independence.

Further information about CSEPF is available at: www.civilpension.gov.om

Ministry of Defence Pension Fund (MODPF)

The Ministry of Defence Pension Fund is a public legal entity in the Sultanate of Oman duly organized under, and registered pursuant to, Sultani Decree 87/93 issued on 29th December 1993. The Ministry of Defence Pension Fund is one of the largest pension funds in Oman and is a major investor in the local capital markets and also invests in Regional and International Markets, both in equities and bonds. It is also a major participant in project investments and Real Estate investments. The Fund is represented on the boards of several prominent Corporates in Oman.

CORPORATE SOCIAL RESPONSIBILITY REPORT

Among the various social responsibility related initiatives pursued by the Company under its CSR Charter, there is a special focus in respect of community development in the Wilayat of Barka, the Wilayat in which the Company's Plant is located. The Company takes its role as a responsible corporate citizen seriously. Health, education, environment, sports and assisting other socially important initiatives are major spheres of our social responsibility programme.

Corporate Social Responsibility (CSR) activities during 2021

The last annual general meeting of the Company held in March 2021 approved a budget of RO 20,905 for the Company's CSR activities.

Previously for three years, under Environment initiative, assisted in setting up 3 Solar power facilities each at government schools at Barkha, Liwa and Al Kamil. All the three solar power facilities have delivered promised power and have been appreciated by the Ministry of Education. Further the facilities have immensely helped to educate young students about the renewable energy and has encouraged them to care for and protect the environment.

For the year 2021, the Company concentrated its CSR initiative towards other socially important and beneficial activities in Barka region, in line with our approved CSR charter. The total amount spent was the CSR initiative in 2021 amounted to RO 20,891.

Ministry of Education

Computer Tablets for schools in Barka

The year 2020 was challenging to everyone but more importantly to the students who had to continue their studies by taking on-line classes. In this regard, we had a request from the Ministry of Education for computer tablets that could be given to deserving students who needed support to take their studies on-line. The method of learning has seen a sea change due to the exigencies seen in education field during the difficult years of 2020 and 2021. This was thought to be an excellent educational support to the deserving students.

Totally, 143 computer tablets were given to Ministry of Education for distribution to poor and deserving students in Barka schools run by the Ministry of Education at a cost of RO 4,991.

Ministry of Health – Mussanah Health center in the Vilayat of Barka

Dental System with View screen/Monitor

The Ministry of Health requested the company to fund a Dental Care system for the Mussanah Primary Health Center. We have evaluated the benefit from the facility and felt that it would immensely assist the patients in the region to get dental care at their nearest primary clinic. Accordingly, a dental system with view screen and monitor was donated to Mussanah medical center at a cost of RO 11,450.

Ministry of Health – Barka Polyclinic

Chambered Steriliser

The Ministry of Health also informed us that their Barka Primary Health Center requires a Sterilizer set to function efficiently and provide clinical safety at the clinic. Considering the ongoing COVID 19 pandemic situation, we agreed that this equipment is essential and will benefit the local community who visit the clinic. The sterilizer system costing RO 4,450 was provided.

Plan for the future CSR Activities of the Company

In line with the Company's CSR Charter, the Company proposes to continue its CSR initiative in the coming years with a focus on supplying to public institutions with systems and devices to economize power consumption, support power generated by renewables in schools and public institutions, Omani women's empowerment, environment protection and most importantly to support initiatives that will reduce global warming.

Pictures of the three CSR initiatives during 2021

State of the Art Dental chair and associated equipment donated to Mussanah Primary Health Center

A plaque presented by the Ministry of Education commemorating the ceremony of the Company donating computer tablets to School

Sterilizing equipment donated to the primary health center and clinic at Barka

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The management of Al Suwadi Power Company SAOG (the "Company") is pleased to present its report on the Company's business structure, opportunities and challenges, operational and financial performance, risks and concerns, outlook and other matters of importance to the shareholders.

Industry structure and development

In 2004, the 'Sector Law' came into force which provides the framework for the industry structure of electricity and related water in Oman. It led to the setting up of an independent regulatory agency, the Authority for Public Services Regulation (APSR) and a single procurement company, Oman Power and Water Procurement Company SAOC (OPWP).

OPWP is responsible for ensuring that there is sufficient electricity and water production capacity available at the lowest cost to meet growing demands in Oman. OPWP undertakes long-term generation planning and identifies new projects to be developed by private sector entities, in order to meet the future power generation and water desalination requirements of Oman.

The Oman's electricity and water sector are partly government-owned and partly privatized. OPWP's portfolio of contracted power capacity on fuel gas and renewables comprises of long-term contracts with several plants in operation.

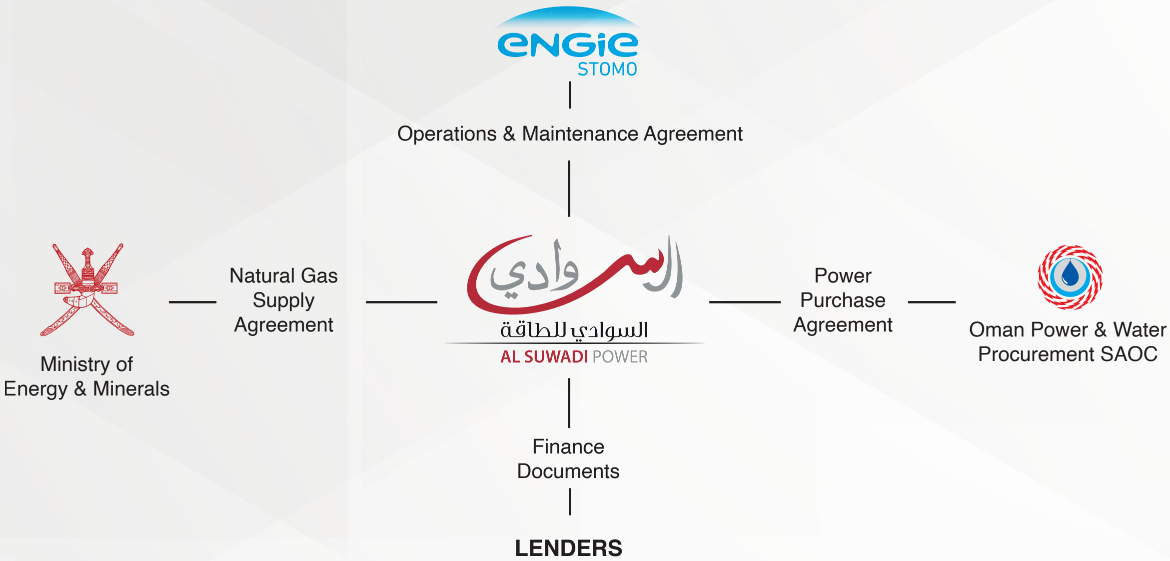
The Company has complied with the OPWP's Spot Market Rules during the market trial run in 2021 and is currently, with effect from 1 January 2022, participating daily in the live spot market operations conducted by the Market Operator as per Spot Market Rules. As reported in the earlier years' report, the generation license has been modified by APSR to include obligations related to the spot market and the Company has made every effort to ensure its due compliance.

The Company has a Power Purchase Agreement (PPA) with OPWP which expires in April 2028. Although the Company is participating, on a daily basis, in the 'spot market' process, there is no financial risk to the Company's revenue as it gets paid as per the tariff agreed within the existing PPA until it's expiry. With this spot market arrangement, OPWP expects that there will be dispatch efficiency by increasing transparency, better fuel efficiency, efficient asset utilization and clarity in respect of post PPA term revenue opportunities for generators thereby enhancing transparency in respect of the PPAs that are expected to expire.

Opportunities and Challenges

The Company has a well-established contractual framework ensuring stable and predictable cash flows.

Contractual Framework



The Power Purchase Agreement (PPA) with OPWP is resilient to potential increase in gas prices and power demand until April 2028. OPWP is the sole purchaser of all electricity output from the power plant ("the Plant") and the Company is fully dependent on timely payments by OPWP.

The Natural Gas Sales Agreement (NGSA) executed with the Ministry of Energy and Minerals (MEM) (erstwhile Ministry of Oil and Gas) secures the availability of fuel (natural gas) back to back with the PPA term. Effective January 2015, the gas price of US$3/MMBtu with an annual escalation clause of 3% was notified by the MEM and for the year 2021 it was fixed at US$ 3.58/MMBtu. However, as the gas cost is pass-through element under the PPA until 2028, the Company has limited financial impact from annual increase in the gas price.

The Company has entered into financing agreements with a consortium of international banks and export credit agencies. The future interest rates volatility is adequately hedged by entering into interest rate swap agreements thus improving the predictability of cash flows available to distribute dividends to shareholders. As regards the future obligations of the Euro-denominated Operation and Maintenance fees, a suitable Euro currency hedge has been put in place to protect the Company from unforeseen vagaries in Euro value vis-a-vis Omani Rial.

The technological risk is considered low as the Plant uses proven technology from renowned international suppliers (mainly Siemens).

Suez-Tractebel Operation and Maintenance Oman LLC (STOMO) is contracted to operate and maintain the Plant for the term of the PPA. STOMO is an experienced and skilled operator with competent O&M expertise in Oman thus largely mitigating the operational risk. The operations and maintenance standards of the Plant are based on international best practices, in accordance with ENGIE's policies and principles which in turn are derived from its experience in operating numerous power generation plants worldwide.

Finally, the Company continues to benefit from the extensive experience of its main shareholders in ownership and operation of power projects in the country and worldwide.

Discussion on operational performance

Health and Safety

Health and safety performance are given utmost importance within the Company and also encompasses STOMO, various contractors and sub-contractors, in order to achieve the goals, set by the top management: zero harm and zero environmental incidents.

The overall HSE performance in 2021 was excellent with no lost time accident (LTA) reported. The Company takes pride to inform that the Plant has completed 3835 days without an LTA.

Consequent to the unprecedented spread of COVID-19 pandemic in the country, the Plant operator invoked its Business Continuity Plan in March 2020. The plant strictly followed Oman's Supreme Committee guidelines to manage the still ongoing pandemic situation. Presently, the plant has reverted to normal shift working while retaining all the obligatory health and safety guidelines. The strict compliance of the regulations has seen no disruption in the plant's smooth and seamless operations with an uninterrupted support to Oman's Power grid.

The Plant holds major certifications like ISO 14001:2015 (Environment Management System) and ISO 45001:2018 (Occupational Health & Safety) awarded by recognized external auditors. NEBOSH and IOSH trainings have been imparted to the staff.

Many other proactive actions, as detailed below, undertaken by the Company and STOMO have led to such excellent accomplishment of HSE objectives:

- Frequent management reviews and safety walks
- Introduction of proactive key performance indicators (KPI)
- Introduction of the behavioral based program called "fresh eyes"
- Implementation of INTELEX – a safety incidents management system

- Behavioral Attitude Recommendation Standards (BARS) is a corporate initiative for enhancing behavioral safety introduced by Engie as part of wider loss control and risk management approach.
- Bi-annual Management Safety Moments

Every small incident or a near miss is taken very seriously, analyzed and actions are proactively implemented and shared internally and with the Board members so as to benefit from their experience and network to ensure best practice. There were no near misses observed during the year.

Human Resources – training and career development

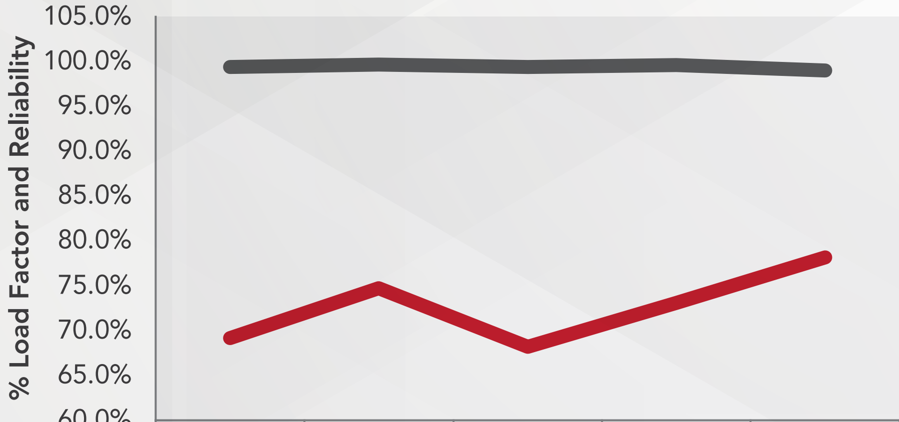
Training values at the plant are established by the STOMO. These are primarily aimed to ensure that the employees perform tasks in the most efficient and safe manner. The Company and STOMO are committed to empower qualified Omani Nationals to acquire better-quality engineering and related skills and take up higher responsibilities in operating and maintaining the Plant. To this end, since inception, the strategy of the Company and STOMO has been to train and develop qualified Omani staff to take up additional responsibilities in the due course. Annual performance review of each employee includes assessment of their career growth. STOMO has been successful in identifying candidates, especially young Omani graduates, with high potentials to take them through a higher level of specialized educational and practical training and peer guidance to scale the echelons of senior management, reaching the highest position in a power company. The Company is proud to report that the plant management is totally and admirably performed by qualified and experienced Omani nationals.

Credible and forward-looking human resources policies have been established and suitable training programs have been designed that map career graph for young Omani Nationals to achieve their potentials and grow professionally and take up senior positions.

Capacity

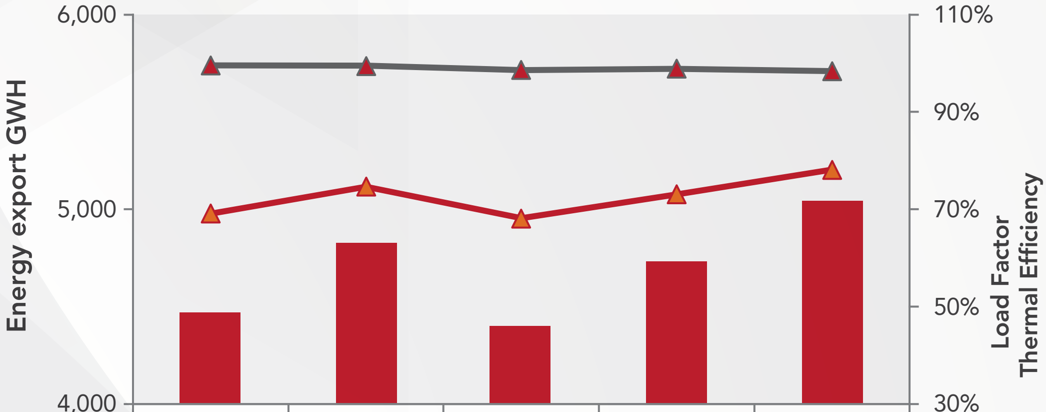
The capacity of a plant is defined as the total electrical power (MW), which can be delivered by the plant at reference site conditions (RSC). The tariff structure agreed within the PPA and the operating cost structure within the Operation and Maintenance Agreement (OMA) with STOMO focuses on a fundamental feature that the profitability of the Company is mainly derived from Plant's reliability. The reliability of the plant is its ability to deliver the declared capacity, as per the PPA. Increase in power generation has no impact on the Company's profits, except for the cost/revenue impact from thermal efficiency.

Plant Load Factor and Reliability



	2017	2018	2019	2020	2021
Load Factor %	69.2%	74.7%	68.2%	73.1%	78.2%
Reliability %	99.37%	99.67%	99.40%	99.60%	99.01%

Net energy export, load factor and thermal efficiency



	2017	2018	2019	2020	2021
Energy Export - GWH	4,471	4,821	4,399	4,729	5,043
Load Factor %	69.2%	74.7%	68.2%	73.1%	78.2%
Thermal Efficiency %	99.60%	99.53%	98.66%	98.90%	98.42%

The Capacity revenue is closely associated with Plant's reliability, among other parameters like contracted capacity and indexation mechanism provided within the PPA.

The high ranking of our plant in the merit order among power plants in Oman, superior degree of plant's operational reliability and furthermore, due to its nearness to the capital city of Muscat, the level of plant's load factor has seen a steep rise. The above graph brings out the twin factors of plant's reliability and increase in plant load over the last five years.

The plant has seen consistent growth in energy export with 2021 reaching an excellent generation of 5,043 GWh and consequently the Company experienced consistent increase in total revenue.

The thermal efficiency of the plant over the last 5 years has not been satisfactory. The thermal efficiency of the power plant is measured in terms of the amount of heat required to produce one unit of power. The plant suffers from negative thermal efficiency, i.e., heat rate loss, when it operates at very high plant load and at plant's unfavorable operating configurations. Undoubtedly, the decline in the thermal efficiency has seen financial impact over the past years and is a matter of concern. Unfortunately, our efforts in resolving this by appointing experts has not succeeded. No credible solution has been advised by any of the internationally reputed consultants, earlier engaged by the Company, to advise us to resolve this situation. Additionally, Performance Advisor, a state-of-the-art technology, to investigate and find a solution, installed on an experimental basis by Siemens at our plant, has also failed to come-up with any solution to this intractable issue. Consequently, the heat rate loss issue remains a major challenge for the Company without an immediate redress.

Maintenance

Maintenance of the Plant by the O&M operator, STOMO, was undertaken in accordance with the standard operations and maintenance processes recommended by the Original Equipment Manufacturers (OEM) and on 'condition-based' monitoring as per best industry practices. During 2021, the plant's 'Siemens-recommended' upgrades and operational improvements were undertaken during the Hot Gas Path extended inspection of one of the Gas Turbines. Unfortunately, damages to a few blades and vanes of the Compressor were noticed during the inspection and these were replaced, albeit at a substantial financial cost to the Company – a situation contractually settled with STOMO as per the O&M Agreement. An extended hot gas path inspection (eHGPI) of the other gas turbine has begun in January 2022. All other operating equipment and the balance of plant equipment were serviced as per the agreed annual maintenance program. Consistent level of high plant availability is a testament of efficient and timely plant upkeep and periodic maintenance as per the equipment suppliers' manual and condition-based monitoring.

Warranty

Only two warranty items remain open with EPC Contractor and the approximate cost impact from such deficiencies has been agreed and accordingly, an amount of warranty bond has been accepted with validity until 31st December 2023. A road map for closure of the open warranty claims is under discussion with Siemens, EPC Contractor.

Discussion on financial performance

Financial Highlights

Figures in RO millions		2021	2020	% change
Revenues	1	**82.50**	78.31	5.35%
Gross Profit		**22.16**	22.36	-0.89%
Finance Costs (net)		**-8.08**	-8.87	8.90%
Net Profit	2	**11.34**	10.84	4.59%
Net Profit before Finance costs	3	**19.41**	19.70	-1.48%
Total Assets	4	**288.09**	302.71	-4.83%
Capital (Paid-up)	5	**71.44**	71.44	0.00%
Shareholders' Fund (Net Assets)	6	**108.17**	101.48	6.59%
Term Loans ^	7	**118.56**	135.64	12.60%
Average number of shares	8	**714.41**	714.41	-
Ordinary Dividends	9	**4.64**	4.64	-
Key Financial Indicators:				
Net Profit Margin	2/1	**14%**	14%	n/a
Return on Capital (Paid-up)	2/5	**16%**	15%	n/a
Return on Capital Employed	3/(6+7)	**9%**	8%	n/a
Debt Equity ratio	7:6	**1.10**	1.34	n/a
Net assets per share (Baizas)	6/8	**151.41**	142.05	6.59%
Basic earnings per share (Baizas)	2/8	**15.87**	15.17	4.59%
Dividends per share (Baizas)	9/8	**6.50**	6.50	-

^ Excluding unamortised transaction cost

Analysis of Profit & Loss

The increase in revenue was mainly due to the higher generation, annual escalation in gas prices and better tariff indexation. Parallelly, the operating costs increased due to increase in gas consumption to meet the high plant load factor, annual escalation in gas prices, higher indexation in O&M fees and unexpected cost to replace damaged compressor blades and vanes noticed during the extended gas turbines inspection.

The net financial results for 2021 were 4.6% higher than 2020 in spite of higher operating costs explained above.

General and administrative expenses were well controlled and in fact lower than 2020.

Steady reduction in the finance cost due to scheduled loan repayments and lower amortization of deferred finance costs has contributed to significant improvement in the net profit compared to year 2020. Consequently, the return on capital employed, net assets per share and basic earnings per share have been better as compared to last year.

Finally, the Company has declared and paid dividend of 6.50 Baizas per share in 2021.

The share price stood at 48 Baizas per share at the close of year 2021.

Tax Matters

The tax assessments of the company for the years 2017 and 2018 were successfully concluded.

Analysis of Balance Sheet

Total Assets of the Company stood at RO 288.087 million as at December 2021 as compared to RO 302.713 million last year, the reduction mainly due to higher Trade receivables at the end of 2020 and depreciation charge for the year 2021. Trade Receivables predominantly are amount due from OPWP relating to the monthly invoiced gas consumption. As explained earlier, the invoice for gas consumption is pass-through income and when received, is finally paid to the gas supplier, Ministry of Energy and Minerals (MEM). As in the previous years, under a fuel charge settlement agreement between the Company, OPWP and the MEM has resulted in the set off of the Company's receivables and payables as at December 2021. OPWP has paid all non-fuel cost related monthly invoices for 2021.

Short term deposit stood at RO 0.88 million as at December 2021, as compared to RO 0.69 million in the last year.

Cash and cash equivalents amounted to RO 0.45million as at December 2021 and were found to be adequate for the Company's normal operations.

The Shareholders Funds (Net Assets) stood at RO 108.17 million as at December 2021 as compared to RO 101.48 million as at December 2020 - the 6.6% increase mainly due to the decent accretion to the retained earnings. The Term Loans (including non-current and current balances) have reduced to RO 118.56 million as a result of scheduled loan repayments in accordance with the terms agreed within the Finance Documents. Consequently, the Debt-Equity ratio has seen an improvement as compared to the last year.

The Company has re-evaluated the provision for asset retirement obligation and, after a thorough review, has enhanced its funding to duly fulfill its allied contractual obligation at the end of Plant's useful life.

Trade and other payables mainly consist of the outstanding gas invoices payable to MEM which would be addressed, as explained above, when the fuel charge settlement agreements between the Company, OPWP and MEM for the year 2021, is concluded.

Dividend Distribution

The Company's dividend policy of distributing available cash is conditional upon fulfillment of covenants agreed within the Finance Documents which include making adequate provisions for forecasted loan repayments and operating expenses. Consistent with the Company's policy and in accordance with Capital Market Authority regulations, the Company declared and distributed dividend of RO 4.64 million (translating to 6.5 Baizas per share) during the year 2021 (paid out of the audited retained earnings for the year ended 31 December 2020).

Risks and Concerns

Loss of Availability due to Mechanical Breakdown

The principal risk to the Company is the Plant being unavailable due to mechanical breakdown. In order to mitigate this risk, the Company ensures and monitors that STOMO operates and maintains the Plant in line with the Company's policies, principles, directives and best practices in the industry and as per maintenance schedule prescribed by the OEMs.

Loss of Availability due to Accidental Damage

In accordance with industry best practices, the Company ensures that adequate insurance policies are in place to protect the business against any property damage and loss of income arising from accidental damage.

OPWP Payments

During 2021, OPWP duly settled all invoices, other than the ones for the gas consumption since April 2021. As explained above, the Company has withheld settlement of gas invoice since April 2021 to MEM as these have not been settled by OPWP. Although there has not been any major financial or cash flow impact on the Company, the Company has persistently followed up this matter with the concerned authorities. As in the year 2019 and 2020, the Company has executed the settlement agreement for 2021 consequent to which the Company's receivables and payables as at December 2021 have been set off with no unfair consequences to any stake holder.

Outlook

Two major developments in the power sector and Oman's economy have been successfully addressed by the Company. These events were the Spot Market process launched by OPWP and introduction of VAT in April 2021. The Company is currently participating in the spot market which has gone 'live' since Jan 2022. However, as the PPA with OPWP expires only in April 2028, the Company's participation in the Spot Market has no impact on its revenue as the Company still gets paid as per the tariff agreed within the PPA. Further, as both events are classified as Buyer's Risk as provided in the PPA, all cost impact from the same has been claimed back from OPWP pursuant to the Change of Law provision agreed within the PPA.

As per the Finance Documents, a cash sweep prepayment of the loan (commercial tranche only) will apply on 100% of the available cash flow starting from the twentieth repayment date, i.e., April 2023, and will subsist until the loan is fully repaid. No dividend distributions will be possible during the Cash Sweep Period. The Company is still making concerted efforts to refinance/amend the loan conditions with respect to the cash sweep before its commencement. The Company's efforts in the past in this regard have not been successful. The Company has not ceased in its efforts to constantly follow the international financial market and look out for any re-financing opportunity. The negative impact on the global financial market due to the COVID 19 pandemic since 2020 and the current credit rating of Oman has not made the exercise productive. The success of refinancing exercise will mainly depend on substantial improvement in the global financial market conditions and Oman's improved credit ratings.

The management is optimistic about the future of the Company. Recognizing that the long-term sustainability of the Company's financial results depends upon its efficient operational base, the management will continue to focus on ensuring high levels of Plant availability and improving fuel efficiency whilst closely controlling operational and overhead costs.

The Company conducts no other business in the Sultanate of Oman or outside and has no subsidiaries.

Internal control systems and their adequacy

The management is fully aware of the importance of a strong internal control system. The Company has a full-time in-house head of internal audit unit (HIAU) whose engagement complies with the CMA Regulations. The internal auditor's assignment includes analysis of the business risks and review of the internal controls under the supervision of the Audit Committee of the Board. The management continues to evaluate all business processes along with related policies and procedures and also implements the recommendations of the internal auditor to further augment the overall internal controls environment of the Company.

The internal auditor executes all the functions as prescribed under the Code of Corporate Governance in a professional manner and submits regular reports to the Audit Committee as per the approved annual internal audit plan.

Gratitude and Conclusion

The management acknowledges and appreciates the commitment and diligence of all the employees of the Company while assuring them of their career advancement and continued welfare.

CORPORATE GOVERNANCE REPORT

Building a better working world

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

REPORT OF FACTUAL FINDING

TO THE SHAREHOLDERS OF AL SUWADI POWER COMPANY SAOG

We have performed the procedures agreed with you pursuant to the Capital Market Authority's (CMA) circular no. E/4/2015, dated 22 July 2015, with respect to the Board of Directors' corporate governance report of AL SUWADI POWER COMPANY SAOG (the "Company") as at and for the year ended 31 December 2021 and its application of the corporate governance practices in accordance with amendments to CMA Code of Corporate Governance issued under circular no. E/10/2016 dated 1 December 2016 (collectively the "Code"). Our engagement was undertaken in accordance with the International Standard on Related Services applicable to agreed-upon procedures engagements. The procedures were performed solely to assist you in evaluating the extent of the Company's compliance with the Code as issued by the CMA and are summarised as follows:

1) We obtained the corporate governance report (the "report") issued by the Board of Directors and checked that the report of the Company includes as a minimum, all items suggested by the CMA to be covered by the report as detailed in the Annexure 3 of the Code by comparing the report with such suggested content in Annexure 3; and

2) We obtained the details regarding areas of non-compliance with the Code identified by the Company's Board of Directors for the year ended 31 December 2021. The Company's Board of Directors has not identified any areas of non-compliance with the Code.

We have no exceptions to report in respect of the procedures performed.

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the corporate governance report.

Had we performed additional procedures or had we performed an audit or review of the corporate governance report in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose. This report relates only to the accompanying corporate governance report of the Company to be included in its annual report for the year ended 31 December 2021 and does not extend to any financial statements of Al Suwadi Power Company SAOG, taken as a whole.

Ernst & Young LLC

17 February 2022
Muscat

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س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢ ، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C 112 Sultanate of Oman

CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") of Al Suwadi Power Company SAOG (the "Company") hereby presents its Corporate Governance Report for the year ended 31 December 2021 in accordance with the Code of Corporate Governance of Public Listed Companies (the "Code"), clarifications and notifications issued by Capital Market Authority (the "CMA") from time to time.

Company's philosophy

The Company follows the principles of good Corporate Governance and has implemented all guidelines issued by the CMA. Effective Corporate Governance assures the shareholders that there is a well performing management in place which supports the highest standards towards transparency, accountability, continuous improvement of business processes, disclosure, displaying the highest ethical standards, observing compliance with laws, permits and regulations and business propriety with the aim of enhancing long term shareholders value and the interest of all stakeholders. Towards this, the Company has put in place effective policies, procedures and systems to ensure fair and timely release of material information about the Company to the stakeholders. All the policies and procedures within the Company have been appropriately revised and implemented to ensure their compliance with the new/amended Laws and Regulations.

An Audit Committee and a Nomination & Remuneration Committee are fully operational in line with the provisions of the Code. The Company is being managed with due diligence and care, and in the best interest of all shareholders.

In accordance with the CMA rules and guidelines on disclosure, the Company's Statutory Auditors, Ernst and Young, have issued a separate Report on the Company's Governance Report for the year ended 31 December 2021.

Board of Directors

In compliance with the Company's Articles of Association, the Board is constituted of 11 directors. During the Annual General Meeting (the "AGM") of the shareholders of the Company held on 20 March 2019, the current Board of Directors was elected for a term of 3 years. The term expires upon the holding of the ensuing annual general meeting of the shareholders of the Company.

a) Composition, category and attendance of Directors in the year 2021:

All directors are non-executive in accordance with the requirement of the Code.

During the year, the composition of the Board changed as follows:

1. Mr. Yoshitetsu Fujisawa representing SEP International Netherlands B.V was replaced with Mr. Kazuichi Ikeda in October 2021.
2. Mr. Charles Paul Dexter representing Kahrabel FZE was replaced with Mr. Axel de Ghellinck in November 2021.

Details of the Board of Directors meetings held during 2021 and the attendance of the members:

	Name of Directors	Category of Directors ^	Attendance					
			Board Meetings					AGM
			17 Feb	28 Apr	28 Jul	27 Oct	Total	14th March 2021
Incumbent as of Dec 31, 2021	Mr. Axel de Ghellinck (Chairperson)	Non-independent & Nominee Director	n/a	n/a	n/a	n/a	0	n/a
	Ravinder Soin (Deputy Chairperson)	Independent	√	√	√	√	4	√
	Mrs. Sameena Hasan Nagarwala	Independent & Nominee Director	√	√	√	√	4	x
	Mr. Ashok Kumar Saproo	Independent	√	√	√	√	4	√
	Mr. Mahmood Hamed Al Gharibi	Non-independent & Nominee Director	√	√	√	√	4	√
	Mr. Bipin Dharamsey Nensey	Independent	√	√	√	√	4	√
	Mr. Jurgen De Vyt	Non-independent	√	√	√	√	4	√
	Mr. Kazuichi Ikeda	Non-independent & Nominee Director	n/a	n/a	n/a	√	1	n/a
	Ms. Maria Del Carmen Vidal	Non-independent	√	√	Proxy	√	4	√
	Mr. Muneer Al-Balushi	Non-independent & Nominee Director	√	√	√	√	4	√
	Mr. Makoto Imabayashi	Non-independent & Nominee Director	√	√	√	√	4	√
Retired/ Resigned	Mr. Charles Paul Dexter (Chairperson)	Non-independent & Nominee Director	√	√	√	√	4	√
	Mr. Yoshitetsu Fujisawa	Non-independent & Nominee Director	√	√	Proxy	n/a	3	√

^ The category of incumbent directors is based on elections held during the AGMs of 20 March 2019.

√: attend, x : absent, n/a : not in seat

All nominee directors are representatives of equity investors.

b) Directors holding directorship/chairmanship in other joint stock companies in Oman as of December 31, 2021

Name of Director	Name of Companies and Position Held
Mr. Bipin Dharamsey Nensey	• Muscat Insurance Company SAOG – Director • Sohar International Bank SAOG - Director
Mr. Ravinder Soin	• Myan Gulf Oman Desalination Company SAOC-Director
Mr. Mahmood Hamed Al Gharibi	• Al Mutawer Hotels & Resorts S.A.O.C- Director

The profile of Directors and key executive officers is included as an Annexure to the Corporate Governance Report.

Audit Committee

a) Brief description of terms of reference

The primary function of Audit Committee is to provide independent assistance to the Board in fulfilling their oversight responsibility to the shareholders, potential shareholders, the investment community and other stakeholders relating to:

(i) The integrity of the Company's financial statements and accounting and financial reporting processes;
(ii) The effectiveness of the Company's risk management and internal control systems;
(iii) The performance of the Company's internal audit function;
(iv) The qualifications and independence of the external auditors; and
(v) The Company's compliance with ethical, legal and regulatory requirements including the changes to the Laws and Regulations, as amended and promulgated by Capital Market Authority.

Consistent with this function, the Audit Committee encourages continuous improvement of, and promote adherence to, the Company's policies, procedures, and practices for corporate accountability, transparency and integrity.

In fulfilling its role, it is the responsibility of the Audit Committee to maintain free and open communication with the external auditors, the internal auditor and the management of the Company and to determine that all parties are aware of their responsibilities.

b) Composition, position and attendance in the year 2021

The Audit Committee is comprised of majority of independent directors as required by the Code.

Details of the Audit Committee meetings held during 2021 and the attendance of the members.

<table>
<tr><th colspan="2" rowspan="2">Name of Committee Members</th><th rowspan="2">Position</th><th colspan="5">Attendance</th></tr>
<tr><th>16 Feb</th><th>27 Apr</th><th>27 Jul</th><th>26 Oct</th><th>Total</th></tr>
<tr><td rowspan="3">Incumbent as of Dec 31, 2021</td><td>Mr. Bipin Dharamsey Nensey</td><td>Chairperson</td><td>√</td><td>√</td><td>√</td><td>√</td><td>4</td></tr>
<tr><td>Mr. Ravinder Soin</td><td>Member</td><td>√</td><td>√</td><td>√</td><td>√</td><td>4</td></tr>
<tr><td>Mr. Kazuichi Ikeda</td><td>Member</td><td>n/a</td><td>n/a</td><td>n/a</td><td>√</td><td>1</td></tr>
<tr><td>Retired/ Resigned</td><td>Mr. Yoshitetsu Fujisawa</td><td>Member</td><td>√</td><td>√</td><td>√</td><td>n/a</td><td>3</td></tr>
</table>

√ : attend, x : absent, n/a : not in seat

Nomination & Remuneration Committee

a) Brief description of terms of reference

The primary function of Nomination & Remuneration Committee of the Board is to:

(i) Assist the general meeting in the nomination of proficient and high caliber directors;

(ii) Prepare job descriptions of the directors including the Chairperson of the Board;

(iii) Develop succession plan for the Board or at least the Chairperson and executive management; and

(iv) Propose proper remuneration and incentives policy to attract competent executive management.

The Committee meets at least twice a year.

b) Composition, position and attendance in 2021

Details of the Nomination and Remuneration Committee meetings held during 2021 and the attendance of the members:

Name of NRC Members		Position	Attendance			
			16 Feb	27 Apr	26 Oct	Total
Incumbent as of Dec 31, 2021	Mr. Jurgen De Vyt	Chairperson	√	√	√	3
	Mr. Ashok Kumar Saproo	Member	√	√	√	3
	Mr. Kazuichi Ikeda	Member	n/a	n/a	√	1
Retired/ Resigned	Mr. Yoshitetsu Fujisawa	Member	√	√	n/a	2

√ : attend, x : absent, n/a : not in seat

Appraisal of the performance of the Board

During the Annual General Meeting of the Company held on 20 March 2019, the Shareholders agreed to conduct performance appraisal of the newly elected Board of Directors once during its 3 years' term.

In accordance with the Code of Corporate Governance and the approval by the Shareholders at the AGM held on 14th March 2021, the Company appointed an independent consultant, Keynote Services LLC, to carry out the annual appraisal for the performance of the Board.

The primary objective of the appraisal was to consider the composition, structure, dynamics, relationships and performance of the Board in accordance with the appraisal criteria approved by the shareholders.

The appraisal process was conducted directly between the consultant and the directors via a comprehensive questionnaire and further, interviews were held with most of the directors to explore and enhance the questionnaires' feedback. Subsequently, the consultant presented its report on the performance appraisal and recommendations to the Chairperson of the Board. Overall, the consultant has reported that the Board was considered to be performing 'very satisfactory' and is effective in meeting its objectives across the range of approved performance criteria.

The recommendations proposed by the independent consultant were considered by the Board and it was agreed to implement those recommendations that bring value to Board's working and are practical and reasonable in terms of the cost/benefit.

Process of nomination of the directors

The election of the Board is governed by the Company's Articles of Association. The Company ensures that the election of the Board is held in accordance with the Commercial Companies Law, Regulations and Rules issued by the Capital Market Authority.

In accordance with the requirement of the Code and the Articles of Association of the Company, the following shall be observed on the formation of the Board:

(i) Eleven directors to be elected by the shareholders in general meeting for a term of 3 years;
(ii) All directors shall be non-executive directors;
(iii) All directors shall be natural persons;
(iv) At least one third of the directors shall be independent;
(v) The members of the Board of Directors are elected from amongst the shareholders or non-shareholders.
(vi) No director shall be a member of the Board of more than four joint stock companies or chairperson of more than two joint stock companies. Pursuant to Article 203 of the Commercial Companies Law, a member of the board of directors shall not participate in the management of any other Company which carries out similar business.

Remuneration matters

a) Sitting fees to members of the Board and its sub-committees

As approved by the shareholders, the sitting fees of RO 400 for the members of the Board and RO 200 for the members of the Audit Committee and Nomination & Remuneration Committee is paid. The sitting fee is payable to the members of the Board, the Audit Committee and the Nomination & Remuneration Committee who attend the meeting either in person or by video conference. In the past, as permitted by the then existing Laws, the sitting fee was also paid in case of a juristic person, in the absence of its nominated Board member attending the Board meeting, if another representative of the juristic person is delegated and attends the Board meeting. In the future, with effect from the election of the new Board in the ensuing AGM, this provision will cease to be operational.

The sitting fees for the year 2021 paid/payable to the directors for attending Board, Audit Committee and Nomination & Remuneration Committee meetings amounted to RO 17,600 and RO 2,400 and RO 1,800 respectively.

b) Remuneration to Board members

Following approval by the shareholders in the AGM held on 14th March 2021, the Company paid total remuneration of RO 21,600 to the Board members in respect of the year 2020.

For the year 2021, the Board proposes to similarly pay remuneration to the Board members, equal to actual sitting fees paid during the year 2021, for their contribution in achieving excellent operational and financial results. The proposed remuneration of RO 17,600 has been accrued in the financial statements for year ended 31 December 2021, however, the same shall be paid upon its approval by the shareholders in the AGM scheduled to be held on 14 March 2022.

c) Other payments to directors

There was no other payment to the directors besides the sitting fees and remuneration.

d) Top 5 officers

The Company paid to its top 5 officers an aggregate amount of RO 320,380 which includes secondment fee, salaries, allowances, performance-based bonuses and other benefits. The remuneration paid is commensurate with their qualification, role, responsibility and performance.

The performance-based bonus for staff members is based on the following criteria:

a. At the beginning of the year, benchmark objectives, which include among other parameters, financial performance of the Company, Health, Safety and Environment targets, for each staff member are set.
b. At the end of the year, the performance and actual results against each of these objectives are evaluated and most importantly, any extraordinary contribution by the staff member leading to Company's improved performance is duly noted and acknowledged.
c. Based on the final score and a transparent process of evaluation, a bonus is worked out and disbursed.

Employees' notice period and severance fees are specified in the standard employment contract entered into by the Company with the staff. Generally, the employment contract carries one month notice period. Severance fee is payable to an employee if the employee is terminated with less than agreed notice period.

Details of non-compliance by the Company

There were no penalties imposed on the Company by the Capital Market Authority ("CMA"), Muscat Stock Exchange ("MSX") or any other statutory authority on any matter related to capital markets in the year 2021.

Means of communication with the shareholders and investors

The Company communicates with the shareholders and investors mainly through the MSX website and the Company's website (www.alsuwadipower.com) in both English and Arabic. Material information is disclosed immediately, and financial information such as initial quarterly and annual un-audited financial results, un-audited interim financial statements, and annual report including audited financial statements and Management Discussion & Analysis Report are disclosed within the regulatory deadlines. The Company's executive management is also available to meet its shareholders and analysts as and when required. To comply with the requirements of MSX of appointing an Investors Relation Officer (IRO), the Company has appointed its CFO as the IRO.

Market price data

a) High/Low share price and performance comparison during each month in year 2021:

Month	Price (Baizas)				MSX Index (Service sector)	
	High	Low	Closing	Change from 1st January 2021	Closing	Change from 1st January 2021
January	52	49	51	0%	1594.912	-0.46%
February	52	47	51	0%	1549.889	-3.27%
March	54	50	53	3.92%	1544.897	-3.58%
April	60	53	57	11.76%	1588.433	-0.86%
May	58	55	57	11.76%	1623.789	1.34%
June	58	53	55	7.84%	1722.964	7.53%
July	56	54	54	5.88%	1709.246	6.68%
August	55	51	51	0%	1704.358	6.37%
September	53	51	51	0%	1697.286	5.93%
October	54	50	53	3.92%	1674.891	4.53%
November	54	51	51	0%	1614.827	0.78%
December	53	48	48	-5.88%	1620.871	1.83%

b) Distribution of the shareholding as of December 31, 2021:

Category	Number of shareholders	Number of shares held	Share capital %
5% and above	7	584,855,528	81.87%
1% to 5%	2	25,235,062	3.53%
Less than 1 %	2,665	104,315,750	14.60%
Total	**2,674**	**714,406,340**	**100.0%**

There are no outstanding securities or any convertible instruments issued by the Company.

Professional profile of the statutory auditor

The shareholders of the Company appointed Ernst and Young (EY) as the Company's auditors for the year 2021 in the last AGM. EY is a global leader in assurance, tax, transaction and advisory services. EY is committed to doing its part in building a better working world. The insights and quality services which EY delivers help build trust and confidence in the capital markets and in economies the world over.

The MENA practice of EY has been operating in the region since 1923 and employs over 7,500 professionals. EY has been operating in Oman since 1974 and is a leading professional services firm in the country. EY MENA forms part of EY's EMEIA practice, with over 4,853 partners and approximately 132,455 professionals. Globally, EY operates in more than 150 countries and employs 312,000 professionals in 700 offices. Please visit ey.com for more information about EY. During the year 2021, an amount of RO 11,750 (excluding VAT) was accrued in the financial statements for services rendered to the Company by EY (RO 10,000 for audit and RO 1750 for other services).

Acknowledgement by the Board of Directors

1. The Board of Directors accepts the responsibility for accurately preparing accounts and financial statements and confirms that the financial statements for the year 2021 have been prepared in accordance with the applicable International Financial Reporting Standards.
2. The Board of Directors, through the Audit Committee, has reviewed the Company's system of internal controls and assures efficiency and adequacy of the internal control systems including financial management and its related operations, obligation management and risk management.
3. The Company has robust business model and contractual framework as explained in detail in the financial statements and, as such, the Board of Directors confirms that they believe there are no material matters which may affect the continuation of the Company and its ability to continue its operations during the next financial year.

Chairperson

Director

Brief Profiles of Directors

Name	:	Mr. Axel De Ghellinck
Year of Joining	:	2021
Education	:	Masters in Business Administration cum Intercultural Management from Brussels
Experience	:	Mr. De Ghellinck has more than 22 years of experience with 17 years in power industry in the field of accountancy, financial management, acquisition, investment and financial advisory. Mr. De Ghellinck joined SUEZ Tractebel (Engie group) in 2004. Mr. De Ghellinck has experience in various roles at Engie including Chief Financial Officer - India, Head corporate finance for North America, Latin America & Africa, Senior Advisor at AIFA (Acquisition, Investment & Financial Advisory) GDF SUEZ, Latin America, and Business Controller at SUEZ Tractebel in Brussels. Mr. De Ghellinck is currently Chief Financial Officer, Other GCC and Pakistan, part of Thermal and Supply Global Business Unit at Engie.
Name	**:**	**Mr. Ravinder Soin**
Year of Joining	:	2018
Education	:	Fellow Member of the Institute of Chartered Accountants of India & Associate Member of the Institute of Cost Accountants of India
Experience	:	Mr. Ravinder has 29 Years of professional experience in manufacturing, trading, fabrication, real estate & other service industries. He is presently the Head-Credit & Collection of Suhail Bahwan Group. During his 23 years with Suhail Bahwan Group, he has worked closely on various policy matters, establishing & strengthening controls, facilitating investment & business decisions. His areas of specialization are risk assessment & management, finance, costing, taxation, auditing, budgeting, management reporting & investment analysis.
Name	**:**	**Mr. Mahmood Hamed Al-Gharibi**
Year of Joining	:	2020
Education	:	Bachelor Degree in Finance from Sultan Qaboos University.
Experience	:	Mr. Al Gharibi has over 13 years of experience in the field of Finance and Investment Operations. Mr. Mahmood Al Gharibi is currently working as a Senior Investment Accountant at the Investment Department of The Public Authority for Social Insurance.
Name	**:**	**Mr. Ashok Kumar Saproo**
Year of Joining	:	2018
Education	:	Bachelor's Degree (Honours) in Civil Engineering from Birla Institute of Technology & Science, Pilani (India)
Experience	:	Mr. Saproo has more than 40 years of experience in Construction Industry and Real Estate Development. He is very senior level professional and has successfully handled large size township real estate development projects; state of art Commercial building, Hotels and Mall projects; specialized projects like IT parks/ Warehouses/ Automated car parks; Interiors for Offices/ High end offices/ Villas etc from concept to completion. He has joined Suhail Bahwan Group in the year 2012 and is currently heading Projects & Interior Design Department. Prior to joining Suhail Bahwan Group, he has worked with reputed companies like Hyundai Engg and Construction company, Xansa India Limited, Reliance Industries Ltd, Unitech Ltd, Prestige estates Projects ltd at senior level for design development and project execution.

Name	**:**	**Mr. Bipin Dharamsey Nensey**
Year of Joining	:	2018
Education	:	Bachelor's Degree in Commerce from Mumbai University (India) 1977. Management Executive Certification from Indian School of Business (ISB) Hyderabad (India) in the Year 2003
Experience	:	Mr. Nensey is a Director of Sohar International Bank SAOG since 2018. He served as a Director of Oman International Bank from 1999 to 2002 and as Deputy Chairman of Oman International Bank (HSBC Bank Oman) from 2002-2012. Mr. Nensey serves as Director of Muscat Insurance Company SAOG since 2021 and as Deputy Chairman of Muscat Insurance Company SAOG from 2000 to 2021, and as a Director of Dharamsey Nensey since 1977.
Name	**:**	**Mr. Makoto Imabayashi**
Year of Joining	:	2020
Education	:	BA Faculty of Engineering, Kyoto University, Japan
Experience	:	Mr. Imabayashi has over 20 years of experience in the energy and nuclear industry. He is currently General Manager and CEO of Sojitz Generation DMCC, which is located at Dubai U.A.E and responsible for development of new IPP/IWP/IWPPs project and also management of overseas asset portfolios in the Middle East and Africa.
Name	**:**	**Mr. Kazuichi Ikeda**
Year of Joining	:	2021
Education	:	Master degree in Electrical Engineering from Osaka University (Japan)
Experience	:	Mr. Ikeda is General Manager of Operation & Management Group, International Business and Cooperation Department of YONDEN, a parent company of SEPI. In this position, he is responsible for asset management of IPP/IWPP projects which are already in operation. Mr. Ikeda started his career in YONDEN in 1995 as an electrical engineer and has been involved in construction, maintenance and performance management of various thermal power plants in Japan for more than 9 years. He has been engaged in international IPP/IWPP development over 15 years, out of which he worked for Ras Laffan C IWPP project in Qatar for more than two and a half years as one of the management personnel in charge of the maintenance of the whole plant (2,730MW – Power & 63MIGD – Water).
Name	**:**	**Mr Jurgen De Vyt**
Year of Joining	:	2019
Education	:	Master's degree in Business Administration (Executive Management) from the Vlerick Leuven Ghent Management School and a Master's degree in Electrical Engineering.
Experience	:	Mr. De Vyt joined Al Dur power and water and Al Ezzel power company in Bahrain as CEO in 2019. Since he joined the ENGIE group in 1991, he has been in charge of multicultural teams responsible for the realization of projects in Europe and Northern Africa. Between 2003 and 2006, Mr. De Vyt was Project Director for the Sonatrach Gazoduc renovation project in Algeria. From 2007 to 2008, he was in charge of business development for renewable energy projects in Belgium and from 2008 till 2013, Mr. De Vyt worked on a new 800MW power plant in northern Germany, responsible for organizational and technical matters. Moving to Oman in 2013, he was in charge of Al Batinah Power Company until 2017 and SMN Power Holding between 2017 and 2019.

Name	:	Mrs. Maria del Carmen Vidal Martínez
Year of Joining	:	2019
Education	:	Ms. Sc. Industrial Engineering, Escuela Técnica Superior de Ingenieros Industriales, Madrid, Spain.
Experience	:	Mrs. Vidal has a diversified experience in automotive, construction and energy industries. On the later she has been with ENGIE located in Dubai since 2009, where she is the Chief Procurement Officer, responsible for the Procurement performance and governance, always working closely with technical and financial departments of all the entities in which ENGIE is a stakeholder. Mrs. Vidal has worked in several countries in Europe and she has been for the last 17 years in the Middle East.
Name	**:**	**Mr. Muneer Abdullah Khamis Al-Balushi**
Year of Joining	:	2019
Education	:	Bachelor degree (HONS) in Accounting in 2008 Higher National Diploma (HND) in Accounting in 2004.
Experience	:	Mr. Muneer has more than 13 years' experience in collection contribution and pension in Civil service employee pension fund. Mr. Muneer held below mentioned positions: • Director of Civil service employees pension fund – Al Bathinah south governorate department (from 2017 till today). • Head of the Unified law of social insurance in contribution department (from 2012 to 2016). • Contributions specialist in contribution department (from 2008 to 2011). • Accounts assistant in Mezoon travel LLC, Al Zawawi group (from 2006 to 2008).
Name	**:**	**Ms. Sameena Hasan Nagarwala**
Year of Joining	:	2019
Education	:	B.Com MBA CFA
Experience	:	Ms. Sameena is a senior risk professional with more than 20 years of experience in the region. She is well versed with different asset classes and investments due to her diverse experience of working with a family office, asset management company, bank and pension fund. She started her career as an equity analyst and is well versed with the regional and international markets. At the bank she was part of the asset management team doing buy side research and also led several corporate banking transactions. At the pension fund she led the risk performance and compliance function. She has a Master's of Business Administration from Institute of Technology and Management and is a Chartered Financial Analyst (CFA)

Brief Profiles of Key Executive Officers

The senior management team has been empowered by the Board of Directors for the day-to-day operations of the Company.

Name	**:**	**Mr. Navneet Kasbekar**
Position	:	Chief Executive Officer
Year of Joining	:	2015
Education	:	Commerce Graduate and Member Institute of Chartered Accountants of India
Experience	:	Mr. Kasbekar has been in the power industry for over 21 years having earlier worked in Al Kamil Power company SAOG since January 2001. He joined Al Kamil Power Company SAOG as Finance Director and was actively associated in the setting up of the power project and installing systems and procedures in the organisation. He was promoted to the position of CEO in the year 2006. He has 44 years of work experience out of which over 31 years has been in general managerial position in varied fields like trading, real estate, hospitality and printing.
Name	**:**	**Mr. Preetam Saraf**
Position	:	Chief Financial Officer
Year of Joining	:	2019
Education	:	Member of Institute of Chartered Accountants of India with post graduate diploma (equivalent to MBA) in Finance and a Bachelor degree in Commerce.
Experience	:	Mr Saraf has more than 23 years of professional experience including 14 years in power sector. He started his career with Indian Oil dealing in oil refinery sector where he spent 6 years. Before joining Al Suwadi Power Company, he was working for 11 years with Tata Power, the largest integrated power utility in India, and was actively associated in setting up of greenfield power projects and installing systems and procedures in the organisation. He worked with Tata Power in various capacities including site-finance head of their power plants, coal mines, and in the last assignment as Head Subsidiaries Finance and Performance analysis.

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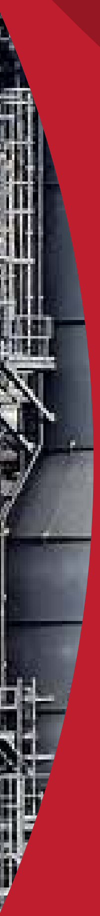
AL SUWADI POWER



AUDITED FINANCIAL STATEMENTS

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C.R. No. 1224013
PR No. HMH/15/2015; HMA/9/2015

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SUWADI POWER COMPANY SAOG

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Suwadi Power Company SAOG (the "Company"), which comprise the statement of financial position as at 31 December 2021, statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with the *International - Code of Ethics for Professional Accountants (including International Independence Standards)* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in the Sultanate of Oman, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SUWADI POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Key audit matters	*How our audit addressed the key audit matters*
Allowance for expected credit losses The Company is required to regularly assess the recoverability of its trade receivables. The recoverability of trade receivables was significant to our audit due to the value of amounts aged greater than the credit terms extended to customers coupled with the higher degree of estimation uncertainty due to the economic impacts of COVID-19. The key areas of judgment include: - Expected credit losses ("ECL") must reflect information about past events, current conditions and forecasts of future conditions, as well as the time value of money. - The effects of COVID-19 global pandemic impacting the management's determination of the ECL as it required the application of unusually high level of judgment and estimation uncertainty, which may materially change the estimates in future periods. The accounting policy for determining the allowance for expected credit losses is set out in note 3.3 to the financial statements. The Company's disclosures are included in note 10 and 19(b) to the financial statement, which outlines the details regarding aging of trade receivables and the credit risk.	Our audit procedures for obtaining sufficient appropriate audit evidence over the carrying value of trade receivables, we: - Tested the aging of trade receivables for a sample of customer transactions; - Evaluated receipts after year-end to determine any remaining exposure at the date of the financial statements; - Examined the Company's assessment of the customers' financial circumstances and their ability to repay the debt; - Evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and checked the mathematic accuracy of the calculations; - Evaluated the completeness, accuracy and relevance of data used in the expected credit loss model and independently recomputed the Company's ECL by calculating the probability of default based on Company's data, applying appropriate LGD, latest macro-economic variables and probability weighted outcomes, especially in view of COVID-19 pandemic; - Considered the customers' historical payment patterns along with relevant macroeconomic information; - Assessed the appropriateness of the Company's provisioning policy applied which included assessing whether the calculation was in accordance with IFRS 9 and comparing the Company's provisioning rates against historical collection data; and - Assessed the adequacy and appropriateness of the disclosures in the financial statements.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SUWADI POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Key audit matters (continued)

Hedge accounting The Company uses derivative financial instruments to hedge interest rate and foreign currency exposure on term loans and future cash flows in accordance with the policies approved by the Board. Rules on accounting for derivative instruments are complex and hedge accounting requirements, including documentation, can be complicated. Lack of compliance with documentation requirements, hedge effectiveness rules, and probability criteria could lead to statement of comprehensive income volatility. The accounting policy relating to derivative financial instruments are set out in note 3.3 to the financial statements.	Our audit procedures in this area included the following: - We examined the nature of the hedge relationships that were entered into and whether these were in line with the Company's strategy. For the derivatives outstanding at the reporting date, we assessed their valuation, completeness and existence through obtaining external confirmations and their fair value through performing our own independent re-calculations; - We involved our specialists for assessing the Company's hedge accounting and for testing hedge effectiveness; - We assessed the adequacy of disclosure relating to hedge accounting. Details regarding market risk, liquidity risk and the derivative instruments are set out in notes 19(a), 19(c) and 15 to the financial statements.

Other information included in the Company's 2021 Annual Report

Those charged with governance and management are responsible for the other information. Other information consists of the information included in the Company's 2021 Annual Report other than the financial statements and our auditor's report thereon. We obtained the following information prior to the date of our auditor's report, and we expect to obtain the published 2021 Annual Report after the date of our auditor's report:

- Chairman's report
- Corporate governance report
- Management discussion and analysis

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL SUWADI POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Other information included in the Company's 2021 Annual Report (continued)
If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements
Those charged with governance are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the relevant requirements of the Commercial Companies Law, as amended, and the Capital Market Authority ("the CMA") of the Sultanate of Oman, and for such internal control as those charged with governance determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, those charged with governance are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF AL SUWADI POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
AL SUWADI POWER COMPANY SAOG (CONTINUED)

Report on the audit of the financial statements (continued)

Report on other legal and regulatory requirements

In our opinion, the financial statements comply, in all material respects, with the relevant requirements of the Commercial Companies Law, as amended, and CMA of the Sultanate of Oman.

Ernst & Young LLC

ارنست ويونغ ش م م
س.ت: ١٢٢٤٠١٣
ص.ب: ١٧٥٠ روي - ١١٢، سلطنة عمان
EY ERNST & YOUNG LLC
C.R. No. 1224013
P.O. Box 1750 - P.C. 112, Sultanate of Oman

Mohamed AlQurashi
17 February 2022
Muscat

STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Revenues		**82,497**	**214,556**	78,305	203,655
Direct costs	4	**(60,334)**	**(156,916)**	(55,942)	(145,494)
GROSS PROFIT		**22,163**	**57,640**	22,363	58,161
General and administrative expenses	5	**(808)**	**(2,100)**	(818)	(2,127)
PROFIT BEFORE INTEREST AND TAX		**21,355**	**55,540**	21,545	56,034
Finance costs - net	6	**(8,076)**	**(21,004)**	(8,865)	(23,056)
PROFIT BEFORE TAX		**13,279**	**34,536**	12,680	32,978
Tax expense	7	**(1,944)**	**(5,055)**	(1,842)	(4,791)
NET PROFIT FOR THE YEAR		**11,335**	**29,481**	10,838	28,187
Earnings per share					
Basic earnings per share (Baizas / cents)	23	**15.87**	**41.27**	15.17	39.46

The attached notes 1 to 24 form part of these financial statements.

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AL SUWADI POWER

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
NET PROFIT FOR THE YEAR		**11,335**	**29,481**	10,838	28,187
Other comprehensive income that may be reclassified to profit or loss in subsequent periods (net of tax):					
Cash flow hedges - effective portion of changes in fair value (net of tax)	15	**3,630**	**9,442**	(2,568)	(6,679)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**14,965**	**38,923**	8,270	21,508

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	Notes	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
ASSETS					
Non-current assets					
Property, plant and equipment	8	**249,388**	**648,602**	257,207	668,937
Right-of-use assets	9 (a)	**938**	**2,436**	1,083	2,815
Capital spares		**724**	**1,883**	610	1,586
		251,050	**652,921**	258,900	673,338
Current assets					
Inventory		**1,905**	**4,955**	1,867	4,856
Trade and other receivables	10	**33,803**	**87,917**	40,987	106,600
Short term deposit	11	**884**	**2,300**	692	1,800
Cash and cash equivalents	12	**445**	**1,158**	267	695
		37,037	**96,330**	43,813	113,951
TOTAL ASSETS		**288,087**	**749,251**	302,713	787,289
EQUITY AND LIABILITIES					
Equity					
Share capital	14 a	**71,441**	**185,801**	71,441	185,801
Legal reserve	14 b	**8,585**	**22,326**	7,451	19,378
Retained earnings		**28,144**	**73,203**	22,587	58,747
Equity before hedging reserve		**108,170**	**281,330**	101,479	263,926
Hedging reserve	15	**(6,091)**	**(15,841)**	(9,721)	(25,283)
Total equity		**102,079**	**265,489**	91,758	238,643
LIABILITIES					
Non-current liabilities					
Term loans	16 (a)	**97,542**	**253,685**	115,468	300,307
Lease liabilities	9 (b)	**960**	**2,497**	1,095	2,848
Derivative instruments	15	**7,165**	**18,636**	11,436	29,744
Deferred tax liability	7	**24,065**	**62,591**	21,480	55,870
Asset retirement obligation	13	**425**	**1,107**	310	807
		130,157	**338,516**	149,789	389,576
Current liabilities					
Trade and other payables	17	**35,484**	**92,275**	41,835	108,795
Lease liabilities - current	9 (b)	**135**	**351**	126	328
Short term borrowings	16 (b)	**1,450**	**3,771**	2,120	5,513
Term loans - current	16 (a)	**18,782**	**48,849**	17,085	44,434
		55,851	**145,246**	61,166	159,070
Total liabilities		**186,008**	**483,762**	210,955	548,646
TOTAL EQUITY AND LIABILITIES		**288,087**	**749,251**	302,713	787,289
Net assets per share (Baizas / cents) - adjusted	22	**151.41**	**393.80**	142.05	369.43

The financial statements were authorised for issue and approved by the Board of Directors on 17 February 2022 and were signed on their behalf by:

Chairperson

Director

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	Notes	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before tax		**13,279**	**34,536**	12,680	32,978
Adjustments for:					
Depreciation on property, plant and equipment	4 & 5	**8,019**	**20,854**	8,019	20,854
Depreciation on right of use assets	9 (b)	**145**	**379**	146	380
Finance costs (net)	6	**8,076**	**21,004**	8,865	23,056
Gain on disposal of property, plant and equipment		**-**	**-**	(1)	(2)
Cash from operations before working capital changes		**29,519**	**76,773**	29,709	77,266
Working capital changes:					
Inventory		**(38)**	**(99)**	(13)	(33)
Trade and other receivables		**7,184**	**18,684**	(14,149)	(36,796)
Trade and other payables		**(6,360)**	**(16,543)**	14,157	36,816
Cash generated from operating activities		**30,305**	**78,815**	29,704	77,253
End of service benefits paid		**-**	**-**	(8)	(22)
Net cash flows generated from operating activities		**30,305**	**78,815**	29,696	77,231
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of property, plant and equipment	8	**(200)**	**(519)**	(76)	(195)
Proceeds from sale of property, plant and equipments		**-**	**-**	2	6
Net cash flows used in investing activities		**(200)**	**(519)**	(74)	(189)
CASH FLOW FROM FINANCING ACTIVITIES					
				-	-
Repayment of term loans	16 (a)	**(17,085)**	**(44,433)**	(17,018)	(44,259)
Finance costs paid		**(7,145)**	**(18,582)**	(7,909)	(20,569)
Proceeds of short term borrowings	16 (b)	**21,889**	**56,928**	40,125	104,356
Repayments of short term borrowings	16 (b)	**(22,559)**	**(58,670)**	(40,555)	(105,475)
Short term deposit - net movement		**(192)**	**(500)**	541	1,406
Lease payments	9 (b)	**(196)**	**(511)**	(196)	(511)
Interest received		**5**	**12**	10	25
Dividends paid	14 (c)	**(4,644)**	**(12,077)**	(4,644)	(12,076)
Net cash flows used in financing activities		**(29,927)**	**(77,833)**	(29,646)	(77,103)
Net changes in cash and cash equivalents		**178**	**463**	(24)	(61)
Cash and cash equivalents at 1 January	12	**267**	**695**	291	756
Cash and cash equivalents at 31 December	12	**445**	**1,158**	267	695

The attached notes 1 to 24 form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Notes	Share capital RO'000	Legal reserve RO'000	Retained earnings RO'000	Hedging reserve RO'000	Total RO'000
Balance at 1 January 2020		71,441	6,367	17,477	(7,153)	88,132
Comprehensive income for the year						
Net profit for the year		-	-	10,838	-	10,838
Other comprehensive income, net of income tax						
Cash flow hedges - effective portion of changes in fair value	15	-	-	-	(2,568)	(2,568)
Total comprehensive income		-	-	10,838	(2,568)	8,270
Transfer to legal reserve		-	1,084	(1,084)	-	-
Transaction with owners of the Company						
Dividends	14 (c)	-	-	(4,644)	-	(4,644)
Balance at 31 December 2020		**71,441**	**7,451**	**22,587**	**(9,721)**	**91,758**
Comprehensive income for the year						
Net profit for the year		**-**	**-**	**11,335**	**-**	**11,335**
Other comprehensive income, net of income tax						
Cash flow hedges - effective portion of changes in fair value	15	**-**	**-**	**-**	**3,630**	**3,630**
Total comprehensive income		**-**	**-**	**11,335**	**3,630**	**14,965**
Transfer to legal reserve		**-**	**1,134**	**(1,134)**	**-**	**-**
Transaction with owners of the Company						
Dividends	14 (c)	**-**	**-**	**(4,644)**	**-**	**(4,644)**
Balance at 31 December 2021		**71,441**	**8,585**	**28,144**	**(6,091)**	**102,079**

STATEMENT OF CHANGES IN EQUITY *(continued)*

For the year ended 31 December 2021

	Notes	Share capital USD'000	Legal reserve USD'000	Retained earnings USD'000	Hedging reserve USD'000	Total USD'000
Balance at 1 January 2020		185,801	16,559	45,455	(18,604)	229,211
Comprehensive income for the year						
Net profit for the year		-	-	28,187	-	28,187
Other comprehensive income, net of income tax						
Cash flow hedges - effective portion of changes in fair value	15	-	-	-	(6,679)	(6,679)
Total comprehensive income		-	-	28,187	(6,679)	21,508
Transfer to legal reserve		-	2,819	(2,819)	-	-
Transaction with owners of the Company						
Dividends	14 (c)	-	-	(12,076)	-	(12,076)
Balance at 31 December 2020		185,801	19,378	58,747	(25,283)	238,643
Comprehensive income for the year						
Net profit for the year		**-**	**-**	**29,481**	**-**	**29,481**
Other comprehensive income, net of income tax						
Cash flow hedges - effective portion of changes in fair value	15	**-**	**-**	**-**	**9,442**	**9,442**
Total comprehensive income		**-**	**-**	**29,481**	**9,442**	**38,923**
Transfer to legal reserve		**-**	**2,948**	**(2,948)**	**-**	**-**
Transaction with owners of the Company						
Dividends	14 (c)	**-**	**-**	**(12,077)**	**-**	**(12,077)**
Balance at 31 December 2021		**185,801**	**22,326**	**73,203**	**(15,841)**	**265,489**

1 LEGAL STATUS AND PRINCIPAL ACTIVITIES

Al Suwadi Power Company (the "Company") was registered as a closed Omani Joint Stock company ("SAOC") on 2 August 2010 under the Commercial Companies Law of Oman. Subsequently, the Company was converted to a Public Joint Stock Company ("SAOG") and was listed on the Muscat Securities Market on 23 June 2014.

The Company's objectives are to develop, finance, design, construct, operate, maintain, insure and own a power generating facility (the Barka 3 Power Plant with a capacity of about 750MW), and associated gas interconnection facilities and other relevant infrastructure; to make available the demonstrated power capacity; and to sell the electrical energy generated to Oman Power and Water Procurement Company SAOC. Accordingly, the Plant is considered and managed as one reportable segment. Commercial Operation of the Plant was achieved by the Company on 4 April 2013.

1.1 FUNDAMENTAL ACCOUNTING CONCEPT

As at 31 December 2021, the current liabilities of the Company exceeded its current assets by RO 18.81 million (31 December 2020: RO 17.35 million), which may indicate the existence of an uncertainty relating to going concern. The Company has generated positive cashflows from its operations during current and prior years, and has been settling its obligations. The Company's management is confident that it will be able to generate sufficient cash flows from its operations during the next 12 months to settle its obligations as and when due. Accordingly, the management believe that the Company will continue to operate as a going concern for the foreseeable future and these financial statements are prepared on a going concern basis.

2 SIGNIFICANT AGREEMENTS

Project documents

(i) Power Purchase Agreement ("PPA") dated 10 August 2010 with OPWP for a period of 15 years from the scheduled Commercial Operation Date ("COD").

(ii) Natural Gas Sales Agreement ("NGSA") dated 31 August 2010 with the Ministry of Energy & Minerals (MEM) [erstwhile Ministry of Oil and Gas ("MOG")] for the purchase of natural gas for a period of 15 years from the scheduled COD.

(iii) Usufruct Agreement relating to the Barka site dated 15 August 2010 with the Government of the Sultanate of Oman represented by the Ministry of Housing for grant of Usufruct rights over the plant site for 25 years from its effective date.

(iv) Turnkey Engineering, Procurement and Construction Contract ("EPC Contract") dated 15 September 2010 with Siemens AG and GS Engineering and Construction Corp. to perform the engineering, procurement and construction of the Plant.

(v) Operation & Maintenance Agreement ("O&M Agreement") with Suez Tractebel Operation and Maintenance Oman LLC ("STOMO") dated 24 September 2010 for a period of 15 years from scheduled COD.

(vi) Electrical Connection Agreement dated December 2011 with Oman Electricity Transmission Company SAOC for connection of the Company's equipment to the transmission system.

Finance documents

(vii) Common Terms Agreement ("CTA") and Facility Agreements dated 16 September 2010 for long term loans with international and local banks.

(viii) First Amendment Agreement to the Common Terms Agreement and Facility Agreements dated 29 September 2010.

(ix) Hedging Agreements for interest rate swap with Credit Agricole Corporate & Investment Bank (dated 5 October 2010), KfW IPEX Bank GMBH (dated 6 October 2010), HSBC Bank Middle East Limited (6 October 2010) and Standard Chartered Bank (dated 7 October 2010 and reprofiled on 19 December 2011).

2 SIGNIFICANT AGREEMENTS *(continued)*

Finance documents (continued)

(x) Hedging Agreements for currency swap with Standard Chartered Bank dated 12 October 2010 and Credit Agricole Corporate & Investment Bank dated 3 September 2019 and 9 August 2021.

(xi) Revolving Working Capital Facility Agreement dated 5 June 2012 with Bank Muscat SAOG for purpose of availing short term loans upto Omani Rial 8.84 million.

Security documents

(xii) Intercreditor Deed dated 16 September 2010 with The Export-Import Bank of Korea, Credit Agricole Corporate & Investment Bank (as the "Global Facility Agent" and "Offshore Security Trustee"), Bank Muscat SAOG (as the "Onshore Account Bank") and Others.

(xiii) Offshore Deed of Charge and Assignment dated 16 September 2010 with Credit Agricole Corporate & Investment Bank as "Offshore Security Trustee".

(xiv) Deed of Assignment of Re-insurance dated 16 September 2010 with Credit Agricole Corporate and Investment Bank as "Offshore Security Trustee"; and Oman United Insurance Company SAOG as "Insurer".

(xv) Sale and Purchase Agreement dated 16 September 2010 with Bank Muscat SAOG as the "Onshore Security Agent".

(xvi) Agreement for Security over Omani Shares dated 16 September 2010 between the Company as "the Company", the Founder Shareholders as the "Chargors", Bank Muscat SAOG as the "Onshore Security Agent"; and Credit Agricole Corporate & Investment Bank as the "Global Facility Agent".

(xvii) Commercial Mortgage over Company's Assets (including receipt) dated 21 September 2010 between the Company as "Mortgagor" and Bank Muscat SAOG as "Mortgagee".

(xviii) Legal Mortgage dated 21 September 2010 between the Company as "Mortgagor" and Bank Muscat SAOG as "Mortgagee".

(xix) Direct Agreements entered into by Lenders Agent in respect of PPA, NGSA, EPC Contract and O&M Agreement.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

3.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standard (IFRS) as issued by the International Accounting Standards Board ("IASB"), and the requirements of the Commercial Companies Law of the Sultanate of Oman, as amended and the Capital Market Authority.

b) Basis of measurement

These financial statements are prepared on historical cost basis except for provision for asset retirement obligation, deferred finance cost and operating leases which are measured at amortised cost and certain financial instruments which are measured at fair value.

c) Presentation and functional currency

These financial statements are presented in United States Dollars ("USD"), which is the Company's functional currency, and also in Rial Omani ("RO") for local regulatory requirements. The Omani Rial amounts, which are presented in these financial statements have been translated from the USD amounts at an exchange rate of USD 1 = RO 0.3845. All amounts have been rounded to the nearest thousand (RO '000 and USD '000) except where otherwise stated.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgments

The preparation of the financial statements in conformity with IFRSs requires the management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in impairment of property, plant and equipment, financial valuation of derivative financial instruments, asset retirement obligation and impairment of financial assets.

Measurement of fair value

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.

Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable quotations.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Key sources of estimation uncertainties

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of financial assets at amortised cost

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The Company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Company's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. The impairment provision is assessed based on the "Expected Credit Loss" model under IFRS 9, the impairment impact is considered to be immaterial.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgments (continued)

Key sources of estimation uncertainties *(continued)*

Impairment of inventory

Inventories are held at the lower of cost and net realisable value. When inventories become old or obsolete, an estimate is made of their net realisable value. For individually significant amounts this estimation is performed on an individual basis. Amounts which are not individually significant, but which are old or obsolete, are assessed collectively and a provision applied according to the inventory type and the degree of ageing or obsolescence, based on anticipated selling prices.

At the reporting date, inventory was RO 1.91 million (2020: RO 1.87 million) [USD 4.96 million (2020: USD 4.86 million)] and the provisions for slow moving and obsolete inventory is RO Nil (2020: RO Nil) [USD Nil (2020: USD Nil)] respectively. Any difference between the amounts actually realised in future periods and the amounts expected will be recognised in the statement of profit or loss.

Useful lives of property, plant and equipment

The Company's management determines the estimated useful lives of its property, plant and equipment for calculating depreciation.This estimate is determined after considering the expected usage of the asset or physical wear and tear. Management reviews the residual value and useful lives annually and future depreciation charge would be adjusted where the management believes the useful lives differ from previous estimates.

Taxes

Uncertainties exist with respect to the interpretation of tax regulations and the amount and timing of future taxable income. Given the wide range of business relationships and nature of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Company establishes provisions, based on reasonable estimates, for possible consequences of finalisation of tax assessments. The amount of such provisions is based on various factors, such as experience of previous tax assessments and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Leases – Estimating the incremental borrowing rate

The Company cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the fund necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Company estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgments (continued)

Key sources of estimation uncertainties *(continued)*

Significant judgement in determining the lease term of contracts with renewal and termination options – Company as lessee

The Company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Company has the option, under some of its leases to lease the assets for additional terms. The Company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew or to terminate (e.g., a change in business strategy, construction of significant leasehold improvements or significant customization to the leased asset).

Allowance for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.
The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

At the reporting date, gross trade receivable were RO 33.42 million (USD 86.92 million) [2020: RO 40.61 million (USD 105.61 million)], and the allowance for expected credit losses was Nil (2020: Nil). Any difference between the amounts actually collected in future periods and the amounts expected will be recognised in the statement of profit or loss and statement of other comprehensive income.

Impairment of plant and capital spares

The carrying amounts of the Company's plant and capital spares are reviewed at each reporting date to determine whether there is any indication of impairment. When making the impairment assessment, the management has taken into account both internal and external factors including recent economic and regulatory development in the Sultanate of Oman. Based on management assessment, there is no indicator of impairment of plant and capital spares as at the reporting date.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.1 BASIS OF PREPARATION *(continued)*

d) Use of estimates and judgments (continued)

Key sources of estimation uncertainties *(continued)*

Asset retirement obligation

Asset retirement obligation costs are based on management's technical assessment of the probable future costs to be incurred in respect of the decommissioning of the plant facilities. The Company estimates that the costs would be incurred after the useful life of the plant and calculates the provision using the DCF method.

3.2 CHANGES IN ACCOUNTING POLICIES

a) *Standards issued but not yet effective*

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

- *IFRS 17 Insurance Contracts (not applicable to the Company)*
- *Amendments to IAS 1: Classification of Liabilities as Current or Non-current*

In January 2020, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:

- What is meant by a right to defer settlement
- That a right to defer must exist at the end of the reporting period
- That classification is unaffected by the likelihood that an entity will exercise its deferral right
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and must be applied retrospectively. The Company is currently assessing the impact of the amendments will have on the current classification.

- Reference to the Conceptual Framework – Amendments to IFRS 3
- Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16
- Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37
- IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter
- IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities
- IAS 41 Agriculture – Taxation in fair value measurements
- Definition of Accounting Estimates - Amendments to IAS 8
- Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

The above amendments are not expected to have a significant impact on the Company's financial statements.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.2 CHANGES IN ACCOUNTING POLICIES *(continued)*

b) New and amended standards and interpretations

The Company applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2021.

- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The above standards are not expected to have a significant impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

3.3 SIGNIFICANT ACCOUNTING POLICIES

a) Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

a. Right of use assets

The Company recognises right of use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right of use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right of use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right of use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term, as follows:

	Years
Site rent	40
Connection equipment	15

Lease costs for the year ended 31 December 2021 relating to the right-of-use assets amounting to RO 0.14 million (2020: RO 0.14 million) are included under depreciation expenses.

The right-of-use assets are also subject to impairment. Based on management assessment, there is no indicator of impairment of right-of-use assets as at the reporting date.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a) Leases (continued)

b. Lease liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in- substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating a lease, if the lease term reflects the Company exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g, a changes in future payments resulting from a change in index or rate used to determine such lease payments) or a change in the assessment to purchase the underlying asset.

c. Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

b) Foreign currency transactions

Transactions in foreign currencies are initially recorded by the Company at its functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in statemment of other comprehensive income or statement of profit or loss are also recognised in statement of other comprehensive income or statement of profit or loss, respectively).

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments*

IFRS 9 Financial Instruments has principle-based requirements for the classification of financial assets. The standard contains two primary measurement categories for financial assets: amortised cost and fair value. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and contractual cash flows characteristics. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument. The principal financial instruments used by the Company, from which financial instrument risk arises, are as follows:

1) Trade and other receivables;

2) Cash and cash equivalents;

3) Amounts due from related parties;

4) Term loans;

5) Short term borrowings;

6) Trade and other payables;

7) Lease liabilities; and

8) Derivatives.

Initial recognition

Financial assets

On initial recognition, a financial asset is classified as measured at amortised cost; fair value through other comprehensive income – debt instruments; fair value through other comprehensive income – equity instruments; or fair value through profit or loss account.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss account:

(i) It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

(ii) Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments (continued)*

Financial assets at fair value through other comprehensive income

Equity instruments which are not held for trading or issued as contingent consideration in business combination, and for which the Company has made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss. This election is made on an investment-by-investment basis.

Debt instruments where the contractual cash flows are solely principal and interest and the objective of the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

Financial assets at fair value through profit or loss account

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss account.

Financial assets, at initial recognition, may be designated at fair value through profit or loss, if the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or recognizing gains or losses on them on a different basis.

Financial liabilities

Financial liabilities are classified as measured at amortised cost or fair value through profit or loss account. A financial liability is classified as at fair value through profit or loss account if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition.

Financial liabilities, at initial recognition, may be designated at fair value through profit or loss if the following criteria are met:

(i) The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis;

(ii) The liabilities are part of a group of financial liabilities which are managed and their performance evaluated on fair value basis, in accordance with a documented risk management strategy; or

(iii) The financial liability contains an embedded derivative that would otherwise need to be separately recorded.

Financial liabilities at fair value through profit or loss account are measured at fair value and net gains and losses, including any interest expense, are recognised in the profit or loss account.

Subsequent measurement of financial assets

Financial assets

Financial assets carried at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Any gain or loss on derecognition is recognised in the profit or loss account.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments (continued)*

Subsequent measurement of financial assets (continued)

Financial assets (continued)

Financial assets carried at fair value through other comprehensive income (FVTOCI)

i) Debt instruments at FVTOC

These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in the profit or loss account. Other net gains and losses are recognised in the statement of other comprehensive income. On derecognition, gains and losses accumulated in the statement of other comprehensive income are reclassified to the profit or loss account.

ii) Equity instruments at FVTOC

These assets are subsequently measured at fair value. Dividends are recognised as income in the profit or loss account unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in the statement of other comprehensive income and are never reclassified to the profit or loss account.

The Company has no equity instruments at FVTOCI.

iii) Financial assets carried at fair value through profit or loss (FVTPL)

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in the profit or loss account. However, see note 'Derivative financial instruments and hedging accounting' for derivatives designated as hedging instruments.

Subsequent measurement of financial liabilities

The Company categorises its financial liabilities into two measurement categories: FVTPL and amortised cost.

The Company designates a financial liability as measured at FVTPL when it meets the definition of held for trading or when they are designated as such on initial recognition using the fair value option.

Gains and losses on financial liabilities designated as at FVTPL are split into the amount of change in fair value attributable to changes in credit risk of the liability, presented in other comprehensive income, and the remaining amount in profit or loss.

The Company recognises the full amount of change in the fair value in profit or loss only if the presentation of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. That determination is made at initial recognition and is not reassessed.

Cumulative gains or losses presented in other comprehensive income is subsequently transferred within equity.

Financial liabilities not held at FVTPL are subsequently measured at amortised cost using the effective interest method.

The Company's financial liabilities include accounts payable. due to related parties, fair value of derivatives, short term borrowings and term loans.

Except for fair value of derivatives which is measured at fair value, all other financial liabilities of the Company are measured at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2021

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments (continued)*

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) The rights to receive cash flows from the asset have expired; or

(ii) The Company retains the right to receive cash flows from the asset, but assumes an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

(iii) The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognized) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in the statement of other comprehensive income is recognised in the profit or loss account.

Any cumulative gain/loss recognised in the statement of other comprehensive income in respect of equity instrument designated as fair value through other comprehensive is not recognised in the profit or loss account on derecognition of such instrument. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of the Company's continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss account.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments (continued)

Impairment of financial assets

The Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the issuer, default or delinquency by an issuer, indications that an issuer will enter bankruptcy, the disappearance of an active market for a security, or other observable data relating to a Company of assets such as adverse changes in the payment status of issuers. or economic conditions that correlate with defaults in the Company.

IFRS 9 defines expected credit losses as the weighted average of credit losses with the respective risks of a default occurring as the weightings.

At each reporting date the Company provides for expected losses on all of the following using reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses:

(i) Financial assets measured at amortised cost,

(ii) Financial assets mandatorily measured at FVTOCI, and

(iii) Loan commitments when there is a present obligation to extend credit.

The Company measures expected credit losses through a loss allowance at an amount equal to:

(i) the 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or

(ii) full lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

The Company provides for a loss allowance for full lifetime expected credit losses for a financial instrument if the credit risk of that financial instrument has increased significantly since initial recognition. For all other financial instruments, expected credit losses are measured at an amount equal to the 12-month expected credit losses.

The Company determines the amount of expected credit losses by evaluating the range of possible outcomes as well as incorporating the time value of money. These expected losses are discounted to the reporting date using the effective interest rate of the asset (or an approximation thereof) that was determined at initial recognition.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) Financial Instruments (continued)

Derivative financial instruments and hedge accounting

At the inception of a hedge relationship, the Company formally designates and documents the hedge relationship to which the Company wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the effectiveness of changes in the hedging instrument's fair value in offsetting the exposure to changes in the hedged item's cash flows attributable to the hedged risk.

A hedging relationship qualifies for hedge accounting only if all of the following criteria are met:

(i) there is formal designation and documentation of the hedging relationship at the inception of hedge;

(ii) There is an economic relationship between the hedged item and hedging instrument;

(iii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and

(iv) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of hedge item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

As part of risk management strategies, the Company uses derivative financial instruments, such as interest rate swaps, to hedge interest rate sensitivities. These derivative financial instruments qualify for hedge accounting and are designated as cash flow hedges. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The Company adjusts the cash flow hedge reserve in equity to the lower of the following:

(a) the cumulative gain or loss on the hedging instrument from inception of the hedge; and

(b) the cumulative change in fair value of the hedged item from inception of the hedge.

Effectiveness testing, rebalancing and discontinuation

The Company performs prospective assessment of effectiveness of its cash flow hedges at each reporting date. The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and any remaining gain or loss is hedge ineffectiveness which is recognised in profit or loss.

When the Company discontinues hedge accounting for a cash flow hedge, the amount that has been accumulated in the cash flow hedge reserve remains in equity if the hedged future cash flows are still expected to occur, until such cash flows occur. If the hedged future cash flows are no longer expected to occur, that amount is immediately reclassified to profit or loss.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Company adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Company discontinues hedge accounting prospectively only when the hedging relationship (or a part of a hedging relationship) ceases to meet the qualifying criteria (after any rebalancing). This includes instances when the hedging instrument expires or is sold, terminated or exercised.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

c) *Financial Instruments (continued)*

Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is presented in the statement of financial position when and only when, the Company has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the obligation simultaneously.

Write - off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

d) *Property, plant and equipment*

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the assets to a working condition for their intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Cost also may include transfers from statement of profit or loss and statement of other comprehensive income of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and the difference is recognised in the statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

(ii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases future economic benefits embodied in the specific asset to which it relates. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iii) *Depreciation*

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the asset less its residual value.

The management assigns useful lives and residual values to the items of Property, plant and equipment based on intended use of the assets and the expected economic lives of those assets. Subsequent changes in circumstances such as technological advances or prospective utilisation of the assets concerned could result in the actual lives or residual values differing from the initial estimates. The management has reviewed the residual values and useful lives of the major items of Property, plant and equipment and have determined that no adjustment is necessary.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

The estimated useful lives for current and comparative periods are as follows:

	Years
Property ,plant and equipment	40
Technical spares	25
Other assets	3

(iv) Capital work in progress

Capital work in progress is measured at cost and is not depreciated until it is transferred into one of the fixed asset categories, which occurs when the asset is ready for intended use.

(v) Asset retirement obligation

A liability for future asset retirement obligation is recognized as the activities giving rise to the obligation of future site restoration take place. The liability is measured at the present value of the estimated future cash outflows to be incurred on the basis of current technology. The liability includes all costs associated with site restoration, including plant closure and monitoring costs.

e) Capital spares

Cost of capital Spares includes all expenditure directly attributable to the acquisition of capital spares.

Capital spares shall be recognised in the carrying amount of the affected item of property, plant and equipment when it is put in use. The carrying amount of the replaced item is derecognised. When it is not practical to determine the carrying amount of the replaced part, the cost of the capital spare may be used as an indication of what the cost of the replaced part was at the time capital spare was acquired.

f) Inventory

Inventory comprises of fuel oil and are stated at the lower of cost and net realizable value. The cost of inventories is determined on the weighted average cost basis and includes expenditure incurred in acquiring and bringing them to their existing location and condition. Obsolete inventory items are written down to their estimated net realizable value.

g) Cash and cash equivalents

Cash and cash equivalents comprise cash at hand, bank balances and short term deposits with an original maturity of three months or less.

h) Impairment of non-financial assets

The carrying amounts of the Company's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated. An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of profit or loss unless it reverses a previous revaluation that was credited to equity, in which case it is charged to equity.

The recoverable amount of the cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the plant.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

h) Impairment of non-financial assets (continued)

The management determines whether there are any indications of impairment to carrying value of property, plant and equipment on an annual basis because of the difference between the duration of the contracted cash flows and accounting deprecation of assets. This requires an estimation of the value in use of the cash generating unit. Estimating the value in use requires the Company to make an estimate of the residual value of the cash generating unit at the end of the term of the PPA considering the expected future cash flows for the period beyond the term of the PPA and also a suitable discount rate in order to calculate the present value of those cash flows.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the assets' carrying amount does not exceed the carrying amount that would have been determined,net of depreciation or amortisation if no impairment loss had been recognised.

i) Financial liabilities

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Interest-bearing liabilities are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

j) Employee terminal benefits

Obligations for contributions to a defined contribution retirement plan for Omani employees, in accordance with the Oman Social Insurance Scheme, are recognised as an expense in the statement of profit or loss as incurred. The Company's obligation in respect of terminal benefits of non-Omani employees, is the amount of future benefit that such employees have earned in return for their service in the current and prior periods.

k) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

l) Finance charges

Interest expense and similar charges are expensed in the statement of profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of a qualifying asset which necessarily takes a substantial period of time to prepare for its intended use or sale. Finance income is recognised as it accrues in the statement of profit or loss.

m) Deferred financing cost

The cost of obtaining long-term financing is deferred and amortised over the period of the long term loan using the effective interest rate method. Deferred financing costs less accumulated amortisation are offset against the drawn amount of the term loans. The amortization of the deferred financing costs was capitalized during construction period of the plant except during the early power period during which an amount proportionate to that period was charged to the statement of profit or loss. Subsequent to the COD, the amortization of the deferred financing costs is charged to the statement of profit or loss.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

n) Revenue

Revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard establishes a five step model to account for revenue arising from contracts with customers. The Company's contract with its sole customer contains a lease, which is scoped out of IFRS 15.

The tariff structure under the PPA is comprised of power capacity (includes investment charge and fixed operation and maintenance charge), electrical energy and fuel charges components. The investment charge of the power capacity component is treated as operating lease and recognised on a straight line basis over the lease term. The other components of tariff under the PPA are recognised as revenue. The fixed operation and maintenance charge is recognised over time as OPWP benefits from the service as the Company performs over the PPA term. The electrical energy and fuel charges components are linked to the actual energy delivered and will be recognised at a point in time for each KWh delivered. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due.

o) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the statement of profit or loss except to the extent that it relates to items recognised directly to equity, in which case it is recognised in equity.

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

p) Dividend

The Board of Directors takes into account appropriate parameters including the requirements of the Commercial Companies Law while recommending the dividend. The Company recognises a liability to pay a dividend when it is approved by Board of Directors upto the cap which is approve by the shareholders at the annual general meeting. A corresponding amount is recognised directly in equity.

q) Directors' sitting fees and remuneration

Directors' sitting fees and remuneration are approved by the shareholders in the ordinary annual general meeting of the Company and are recognised as an expense in the statement of profit or loss.

r) Earnings per share

The Company presents basic earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

s) *Fair value*

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on a number of accounting policies and methods. Where applicable, information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Determination of fair value

i) *Derivative financial instruments*

Fair value of forward exchange contracts is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using yield curves of the respective currencies.

The fair value of interest rate swaps is based on estimated future cash flows based on the terms and maturity of each contract and using market interest rates.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Company and counterparty when appropriate.

ii) *Non derivative financial liabilities*

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

3 BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

3.3 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

t) *Current versus non-current classification*

The Company presents assets and liabilities in statement of financial position based on current / non-current classification.

An asset as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period, or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as non-current.

4 DIRECT COSTS

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Fuel gas	**43,517**	**113,177**	39,429	102,547
Depreciation on property, plant and equipment (note 8)	**8,008**	**20,826**	8,008	20,825
Operation and maintenance (""O&M"") fees (note 18)	**7,154**	**18,606**	7,118	18,514
Insurance	**609**	**1,585**	531	1,380
Custom duties (note 18)	**429**	**1,116**	434	1,129
Depreciation on right of use assets [note 9(a)]	**145**	**379**	146	380
Fuel oil	**65**	**170**	9	23
Grid connection fee	**18**	**46**	17	45
Other O&M expenses	**389**	**1,011**	250	651
	60,334	**156,916**	55,942	145,494

5 GENERAL AND ADMINISTRATIVE EXPENSES

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Secondment fees (note 18)	**253**	**658**	246	640
Employee related costs	**199**	**517**	183	476
Public company related costs	**101**	**262**	105	272
Agency fees	**53**	**138**	52	136
Directors' remuneration and sitting fees (note 18)	**39**	**102**	47	121
Corporate social responsibility	**21**	**54**	35	91
Office rent	**18**	**46**	19	49
Depreciation on property, plant and equipment (note 8)	**11**	**28**	11	29
Other expenses	**113**	**295**	120	313
	808	**2,100**	818	2,127

6 FINANCE COSTS (NET)

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Interest on term loans	**3,790**	**9,858**	5,064	13,171
Swap interest	**2,949**	**7,669**	2,426	6,310
Amortisation of deferred finance costs [note 16(a)]	**856**	**2,226**	967	2,515
Debt Service Reserve Account ("DSRA") LC cost (note 18)	**185**	**480**	188	488
Asset retirement obligation - unwinding of discount (note 13)	**115**	**300**	22	57
Interest on short term borrowings	**76**	**197**	77	201
Interest on lease liabilities [note 9(b)]	**70**	**183**	78	203
Exchange loss	**40**	**104**	49	127
Interest income	**(5)**	**(13)**	(6)	(16)
	8,076	**21,004**	8,865	23,056

7 TAXATION

(a) Tax expense recognised in the statement of profit or loss:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Deferred tax expense relating to temporary differences	**1,944**	**5,055**	1,842	4,791

The Company is subject to income tax at the rate of 15% (2020-15%) of taxable income in accordance with the Income Tax Law of the Sultanate of Oman. No current tax has been provided due to tax deductible losses for current and prior years. The deferred tax on all temporary differences have been calculated and dealt with in the statement of profit and loss.

7 TAXATION *(continued)*

(b) Reconciliation

The following is a reconciliation of income tax on the accounting profit with the tax expenses at the applicable tax of 15% (2020:15%):

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Profit before tax	**13,279**	**34,536**	12,680	32,978
Income tax as per applicable tax rate	**1,992**	**5,180**	1,902	4,947
Change in recognised temporary difference	**(50)**	**(129)**	(61)	(158)
Not allowable expense	**2**	**4**	1	2
Deferred tax expense for the year	**1,944**	**5,055**	1,842	4,791

No deferred tax has been recognised on tax losses of RO Nil (2020: RO 2.20 million) which are expected to expire in the years between 2022 - 2026 (2020: years between 2021 - 2025), as it is probable that future taxable profits will be available against which the Company can use the benefits there from.

The Company's effective tax rate for the year ended 31 December 2021 was 14.64% (31 December 2020: 14.53%).

(c) Deferred tax liability

	At 1 Jan 2021 RO'000	Recognised during the year RO'000	At 31 Dec 2021 RO'000
Deferred tax (liability)/asset recognised in statement of profit and loss			
Depreciation for property, plant and equipment	**(25,620)**	**(742)**	**(26,362)**
Provision for right-of-use assets and lease liabilities	**21**	**3**	**24**
Provision for asset retirement obligation	**46**	**17**	**63**
Taxable losses carried forward	**2,357**	**(1,222)**	**1,135**
	(23,196)	**(1,944)**	**(25,140)**
Deferred tax asset directly recognised in statement of comprehensive income			
Fair value adjustment of interest rate and forex swap (note 15)	**1,716**	**(641)**	**1,075**
Net deferred tax liability	**(21,480)**	**(2,585)**	**(24,065)**

7 TAXATION *(continued)*

(c) Deferred tax liability (continued)

	At 1 Jan 2021 USD'000	Recognised during the year USD'000	At 31 Dec 2021 USD'000
Deferred tax (liability)/asset recognised in statement of profit and loss			
Depreciation for property, plant and equipment	**(66,634)**	**(1,930)**	**(68,564)**
Provision for right-of-use assets and lease liabilities	**54**	**7**	**61**
Provision for asset retirement obligation	**121**	**45**	**166**
Taxable losses carried forward	**6,128**	**(3,177)**	**2,951**
	(60,331)	**(5,055)**	**(65,386)**
Deferred tax asset directly recognised in statement of comprehensive income			
Fair value adjustment of interest rate and forex swap (note 15)	**4,461**	**(1,666)**	**2,795**
Net deferred tax liability	**(55,870)**	**(6,721)**	**(62,591)**

	As at 1 Jan 2020 RO'000	Recognised during the year RO'000	As at 31 Dec 2020 RO'000
Deferred tax (liability)/asset recognised in statement of profit and loss			
Depreciation for property, plant and equipment	(24,535)	(1,085)	(25,620)
Provision for right-of-use assets and lease liabilities	17	4	21
Provision for asset retirement obligation	43	3	46
Taxable losses carried forward	3,121	(764)	2,357
	(21,354)	(1,842)	(23,196)
Deferred tax asset directly recognised in statement of comprehensive income			
Fair value adjustment of interest rate and forex swap (note 15)	1,262	454	1,716
Net deferred tax liability	(20,092)	(1,388)	(21,480)

	As at 1 Jan 2020 USD'000	Recognised during the year USD'000	As at 31 Dec 2020 USD'000
Deferred tax (liability)/asset recognised in statement of profit and loss			
Depreciation for property, plant and equipment	(63,811)	(2,823)	(66,634)
Provision for right-of-use assets and lease liabilities	44	10	54
Provision for asset retirement obligation	112	9	121
Taxable losses carried forward	8,115	(1,987)	6,128
	(55,540)	(4,791)	(60,331)
Deferred tax asset directly recognised in statement of comprehensive income			
Fair value adjustment of interest rate and forex swap (note 15)	3,283	1,178	4,461
Net deferred tax liability	(52,257)	(3,613)	(55,870)

7 TAXATION *(continued)*

(d) Deferred tax asset has been recognised directly in other comprehensive income in respect of the changes in fair values of interest rate swaps and forward rate contracts (note 15).

(e) Tax assessments including and up to the tax years 2018 have been completed by the Tax Authority. The tax returns for 2019 and 2020 have not yet been assessed by the Tax Authority. The management is of the opinion that the final tax liability once assessed for the open tax years would not be material to the Company's financial position as at 31 December 2021.

8 PROPERTY, PLANT AND EQUIPMENT

	Property, plant and equipment RO'000	Technical spares RO'000	Other assets RO'000	Capital work-in-progress RO'000	Total RO'000
Cost					
1 January 2021	**318,090**	**1,727**	**111**	**9**	**319,937**
Additions during the year	**11**	**9**	**1**	**179**	**200**
Disposal during the year	**-**	**-**	**(6)**	**-**	**(6)**
31 December 2021	**318,101**	**1,736**	**106**	**188**	**320,131**
Depreciation					
1 January 2021	**62,155**	**483**	**92**	**-**	**62,730**
Charge for the year	**7,936**	**72**	**11**	**-**	**8,019**
Disposal during the year	**-**	**-**	**(6)**	**-**	**(6)**
31 December 2021	**70,091**	**555**	**97**	**-**	**70,743**
Carrying amount					
31 December 2021	**248,010**	**1,181**	**9**	**188**	**249,388**

	Property, plant and equipment RO'000	Technical spares RO'000	Other assets RO'000	Capital work-in-progress RO'000	Total RO'000
Cost					
1 January 2020	318,042	1,717	107	6	319,872
Additions during the year	42	12	13	9	76
Transfer during the year	6	-	-	(6)	-
Disposal during the year	-	(2)	(9)	-	(11)
31 December 2020	318,090	1,727	111	9	319,937
Depreciation					
1 January 2020	54,219	412	90	-	54,721
Charge for the year	7,936	72	11	-	8,019
Disposal during the year	-	(1)	(9)	-	(10)
31 December 2020	62,155	483	92	-	62,730
Carrying amount					
31 December 2020	255,935	1,244	19	9	257,207

8 PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in-progress USD'000	Total USD'000
Cost					
1 January 2021	**827,282**	**4,491**	**290**	**23**	**832,086**
Additions during the year	**29**	**23**	**2**	**465**	**519**
Disposal during the year	**-**	**-**	**(17)**	**-**	**(17)**
31 December 2021	**827,311**	**4,514**	**275**	**488**	**832,588**
Depreciation					
1 January 2021	**161,651**	**1,256**	**242**	**-**	**163,149**
Charge for the year	**20,639**	**187**	**28**	**-**	**20,854**
Disposal during the year	**-**	**-**	**(17)**	**-**	**(17)**
31 December 2021	**182,290**	**1,443**	**253**	**-**	**183,986**
Carrying amount					
31 December 2021	**645,021**	**3,071**	**22**	**488**	**648,602**

	Property, plant and equipment USD'000	Technical spares USD'000	Other assets USD'000	Capital work-in-progress USD'000	Total USD'000
Cost					
1 January 2020	827,158	4,466	280	16	831,920
Additions during the year	108	31	33	23	195
Transfer during the year	16	-	-	(16)	-
Disposal during the year	-	(6)	(23)	-	(29)
31 December 2020	827,282	4,491	290	23	832,086
Depreciation					
1 January 2020	141,013	1,071	236	-	142,320
Charge for the year	20,638	187	29	-	20,854
Disposal during the year	-	(2)	(23)	-	(25)
31 December 2020	161,651	1,256	242	-	163,149
Carrying value					
31 December 2020	665,631	3,235	48	23	668,937

Depreciation charged for the year is allocated as follows:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Direct costs (note 4)	**8,008**	**20,826**	8,008	20,825
General and administrative expenses (note 5)	**11**	**28**	11	29
	8,019	**20,854**	8,019	20,854

The term loan facilities are secured by comprehensive legal and commercial mortgages on all the assets of the Company (note 16).

The Company's plant is constructed on land leased from the Ministry of Housing (note 2 and 9).

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2021

9(a) RIGHT-OF-USE ASSETS

	Connection equipment RO'000	Site rent RO'000	Total RO'000
Cost			
1 January 2020	1,100	274	1,374
31 December 2020	1,100	274	1,374
1 January 2021	**1,100**	**274**	**1,374**
31 December 2021	**1,100**	**274**	**1,374**
Depreciation			
1 January 2020	137	8	145
Charge for the year	138	8	146
31 December 2020	275	16	291
1 January 2021	**275**	**16**	**291**
Charge for the year	**137**	**8**	**145**
31 December 2021	**412**	**24**	**436**
Carrying amount			
31 December 2021	**688**	**250**	**938**
31 December 2020	825	258	1,083

	Connection equipment USD'000	Site rent USD'000	Total USD'000
Cost			
1 January 2020	2,861	713	3,574
31 December 2020	2,861	713	3,574
1 January 2021	**2,861**	**713**	**3,574**
31 December 2021	**2,861**	**713**	**3,574**
Depreciation			
1 January 2020	**358**	**21**	**379**
Charge for the year	**359**	**21**	**380**
31 December 2020	**717**	**42**	**759**
1 January 2021	717	42	759
Charge for the year	358	21	379
31 December 2021	1,075	63	1,138
Carrying amount			
31 December 2021	**1,786**	**650**	**2,436**
31 December 2020	2,144	671	2,815

The above right-of-use assets are not part of the assets which are secured against the comprehensive legal and commercial mortgages for the term loan facilities (note 16).

9(b) LEASE LIABILITIES

Lease liabilities included in the statement of financial position as

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
1 January	**1,221**	**3,176**	1,339	3,484
Interest on lease liabilities (note 6)	**70**	**183**	78	203
Payments	**(196)**	**(511)**	(196)	(511)
31 December	**1,095**	**2,848**	1,221	3,176

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Current lease liabilities	**135**	**351**	126	328
Non-current lease liabilities	**960**	**2,497**	1,095	2,848
	1,095	**2,848**	1,221	3,176

	Contractual undiscounted cash flows 2021 RO'000	Present value of lease payments 2021 RO'000	Contractual undiscounted cash flows 2021 USD'000	Present value of lease payments 2021 USD'000
Within one year	**196**	**135**	511	351
In 2 to 5 years	**786**	**635**	2,045	1,652
More than 5 years	**542**	**325**	1,409	845
Lease liabilities	**1,524**	**1,095**	3,965	2,848

	Contractual undiscounted cash flows 2020 RO'000	Present value of lease payments 2020 RO'000	Contractual undiscounted cash flows 2020 USD'000	Present value of lease payments 2020 USD'000
Within one year	196	126	511	328
In 2 to 5 years	786	596	2,045	1,549
More than 5 years	738	499	1,919	1,299
Lease liabilities	1,720	1,221	4,475	3,176

The Company has leased land for plant premises. Land lease is generally based on the usufruct agreement between Ministry of Housing and the Company. The agreement starts on 15 August 2010 and having an expiry for the initial term of 25 years. The renewal of the agreement can be made for the further period of 25 years upon the written request of the Company. The Company's obligations under its leases secured by the lessor's title to the leased assets. The Company is restricted from assigning and subleasing the leased assets.

The following are the amounts recognised in statement of profit or loss:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Depreciation of rights-of-use assets [note 9(a)]	**145**	**379**	146	380
Interest on lease liabilities (note 6)	**70**	**183**	78	203
Total amount recognised in profit or loss	**215**	**562**	224	583

10 TRADE AND OTHER RECEIVABLES

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Trade receivables	**33,419**	**86,917**	40,605	105,605
Prepayments	**313**	**814**	329	856
Other receivables	**54**	**141**	36	94
Accrued income	**17**	**45**	17	45
	33,803	**87,917**	40,987	106,600

Trade receivables includes an amount of USD 82.89 million (RO 31.87 million) relating to Fuel component, from mid April 2021 to December 2021, not received from OPWP. During the year, OPWP has paid the Company fuel charges of USD 28.55 million (RO 10.98 million) for the period January 2021 to mid April 2021. Pursuant to the Natural Gas Sales Agreement signed with Ministry of Energy and Minerals (MEM-erstwhile MoG), the Company is liable to pay to MEM only upon receiving the corresponding PPA payment relating to gas portion from OPWP. The Company had earlier successfully concluded fuel charge settlement agreements between the Company, OPWP and MEM consequent to which the Company's receivables and payables for 2020 have been set off with no unfair consequences to any stakeholders. Similar agreement for 2021 as regards the gas charge balance invoices has been executed in the first week of February 2022. The impairment provision that is based on the ''Expected Credit Loss" model under IFRS 9, is considered to be not material.

11 SHORT TERM DEPOSIT

As per the Common Terms Ageement ("CTA"), the Company is required to maintain a Debt Service Provisioning Account ("DSPA") to ensure funds are available to service the loan instalments and interest on due date. At each repayment date at the end of October, the Company is required to put the scheduled amount towards the next six monthly payments. The amount in the DSPA cannot be utilized for any purpose other than servicing the loan instalments and interest and is as such restricted cash. The amount lying in the DSPA account has been placed into a short term deposit maturing on 26 April 2022.

12 CASH AND CASH EQUIVALENTS

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Cash in hand	**1**	**4**	1	4
Cash at bank	**444**	**1,154**	266	691
	445	**1,158**	267	695

Bank balances and deposit accounts are placed with reputed financial institutions with currencies denominated in Rial Omani, USD and Euros. The management believes that the ECL is immaterial to the financial statements as a whole.

13 ASSET RETIREMENT OBLIGATION

Under the Sub-Usufruct agreement, the Company has a legal obligation to remove the Plant at the end of its useful life and restore the land. The Company shall at its sole cost and expense dismantle, demobilise, safeguard and transport the assets, eliminate soil and ground water contamination, fill all excavation and return the surface to grade of the designated areas.

The fair value of Asset Retirement Obligation ("ARC") provision has been calculated using an expected present value technique. The technique reflects assumptions such as costs, plant useful life, inflation and discount rates that third parties would consider to assume for the settlement of the obligation.

13 ASSET RETIREMENT OBLIGATION *(continued)*

The movement in ARO provision is as follows:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
At 1 January	**310**	**807**	288	750
Unwinding of discount during the year (note 6)	**115**	**300**	22	57
At 31 December	**425**	**1,107**	310	807

14 EQUITY

(a) Share Capital

The details of the shareholders are as follows:

	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held RO '000
31 December 2021				
Kahrabel FZE	UAE	**213,607,492**	**29.90%**	**21,361**
Middle East Investment LLC	Omani	**102,160,110**	**14.30%**	**10,216**
Civil Service Employees Pension Fund	Omani	**76,750,331**	**10.74%**	**7,675**
Sojitz Global Investment B.V.	Netherlands	**51,080,055**	**7.15%**	**5,108**
SEP International Netherlands B.V.	Netherlands	**51,080,055**	**7.15%**	**5,108**
Public Authority for Social Insurance	Omani	**46,558,814**	**6.52%**	**4,656**
Ministry of Defence Pension Fund	Omani	**43,618,671**	**6.11%**	**4,362**
Shareholders with less than 5% shareholding		**129,550,812**	**18.13%**	**12,955**
		714,406,340	**100.00%**	**71,441**
Nominal value in USD '000				**185,801**

	Nationality	No. of shares held of nominal value 100 Bzs. Each	% of total	Aggregate nominal value of shares held RO '000
31 December 2020				
Kahrabel FZE	UAE	213,607,492	29.90%	21,361
Middle East Investment LLC	Omani	102,160,110	14.30%	10,216
Civil Service Employees Pension Fund	Omani	76,750,331	10.74%	7,675
Sojitz Global Investment B.V.	Netherlands	51,080,055	7.15%	5,108
SEP International Netherlands B.V.	Netherlands	51,080,055	7.15%	5,108
Public Authority for Social Insurance	Omani	46,558,814	6.52%	4,656
Ministry of Defence Pension Fund	Omani	45,218,671	6.33%	4,522
Shareholders with less than 5% shareholding		127,950,812	17.91%	12,795
		714,406,340	100.00%	71,441
Nominal value in USD '000				185,801

The Company has authorised, issued and paid-up share capital of RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each (2020: RO 71,440,634 consisting of 714,406,340 shares of RO 0.1 each).

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Companys residual assets.

14 EQUITY *(continued)*

(b) Legal reserve

Article 132 of the Commercial Companies Law requires that 10% of Company's net profits, after deduction of taxes for establishing a legal reserve untill such legal reserve amounts to at least one- third of the Company's share capital. The reserve shall not be distributed to the shareholders as dividends except where the company reduces its share capital provided that the legal reserve shall not be less than one third after the reduction.

During the year, the Company has transferred RO 1.13 million (USD 2.95 million) to legal reserve.

(c) Dividend

Pursuant to the shareholders resolution of 14 March 2021 and the Board of Directors meetings held on 28 April 2021 and 27 October 2021, the Board approved cash dividends of 2.50 Baizas and 4.00 Baizas per share, respectively from the retained earnings of the Company as at 31 December 2020, to the shareholders of the Company who are registered in the Company shareholders' register with Muscat Clearing and Depository Company SAOC. The cut off dates for entitlement to receive dividends were 2 June 2021 and 2 December 2021 respectively.

Unclaimed dividend relating to cut off date of 2 June 2021 amounting to of RO 2,486.432 has been deposited by Muscat Clearing & Depository Company SAOC with the Investors' Trust Fund.

15 HEDGING RESERVE

Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

At 31 December, derivative instruments assets (liabilities) were as follows:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Interest rate swaps:				
Term loans (note 16)				
KtW IPEX - Bank GmbH	**(1,119)**	**(2,910)**	(2,195)	(5,709)
Standard Chartered Bank	**(2,131)**	**(5,543)**	(4,241)	(11,031)
Credit Agricole Corporate & Investment Bank	**(1,003)**	**(2,609)**	(2,008)	(5,223)
HSBC Bank	**(825)**	**(2,146)**	(1,630)	(4,238)
Total fair value of interest rate swaps	**(5,078)**	**(13,208)**	(10,074)	(26,201)
Deferred tax asset	**761**	**1,981**	1,511	3,930
Fair value of interest rate swaps (net of tax)	**(4,317)**	**(11,227)**	(8,563)	(22,271)
Currency swaps:				
Standard Chartered Bank	**(1,777)**	**(4,622)**	(1,474)	(3,834)
Credit Agricole Corporate & Investment Bank	**(310)**	**(806)**	112	291
Total fair value of currency swaps	**(2,087)**	**(5,428)**	(1,362)	(3,543)
Deferred tax asset	**313**	**814**	204	531
Fair value of currency swaps (net of tax)	**(1,774)**	**(4,614)**	(1,158)	(3,012)
Total fair value of derivative instruments	**(7,165)**	**(18,636)**	(11,436)	(29,744)
Less: Deferred tax asset [note 7(c)]	**1,074**	**2,795**	1,715	4,461
Total fair value of derivative instruments (net of tax)	**(6,091)**	**(15,841)**	(9,721)	(25,283)
Hedging reserve net of tax at the end of the year	**(6,091)**	**(15,841)**	(9,721)	(25,283)
Less: Hedging reserve net of tax at the beginning of the year	**(9,721)**	**(25,283)**	(7,153)	(18,604)
Effective portion of change in fair value of cash flow hedge for the year	**3,630**	**9,442**	(2,568)	(6,679)

15 HEDGING RESERVE *(continued)*

(a) The long term facilities (referred in note 16) [total drawdown of USD 534.09 million (RO 205.36 million) excluding Hermes Covered Fixed Facility of USD 120.00 million (RO 46.14 million)], the Company bear interest at US LIBOR plus applicable margins.

The Company has fixed the rate of interest through Interest Rate Swap Agreements ("IRS") entered into with HSBC Bank Middle East Limited, dated 6 October 2010, Standard Chartered Bank, dated 19 December 2011, KfW IPEX Bank GmbH, dated 6 October 2010 and Credit Agricole Corporate and Investment Bank dated 5 October 2010 respectively, for these facilities (excluding Hermes Covered Fixed Facility).

The facility hedged notional amounts stood at approximately USD 39.58 million (RO 15.22 million), USD 103.89 million (RO 39.95 million), USD 54.42 million (RO 20.92 million) and USD 49.47 million (RO 19.02 million) at fixed interest rates of 2.9613%, 2.935076%, 2.970094% and 2.938016% per annum respectively.

(b) The O&M Agreement includes an outflow of approximately Euro 49 million, payable in Euro.

The Company has entered into Forward Rate Agreements ("FRA") with Standard Chartered Bank and two FRA with Credit Agricole Corporate and Investment Bank on 12 October 2010, 3 September 2019 and 9 August 2021 respectively to hedge against fluctuations in Euro/USD exchange rate. As per the FRAs', the Company shall pay a fixed USD amount at an exchange rate of 1.4318, 1.2155 and 1.2128 respectively and receive contractual Euro amounts at each maturity date.

16 (a) TERM LOANS

	2021 RO'000	**2021 USD'000**	2020 RO'000	2020 USD'000
Term loans	**118,555**	**308,337**	135,640	352,770
Less: current portion	**(18,782)**	**(48,849)**	(17,085)	(44,434)
Non-current portion	**99,773**	**259,488**	118,555	308,336
Less: Unamortised deferred finance costs	**(2,231)**	**(5,803)**	(3,087)	(8,029)
	97,542	**253,685**	115,468	300,307

On 16 September 2010, the Company entered into a CTA, for credit facilities with a consortium of international banks, export credit agencies and a local bank, with Credit Agricole Corporate & Investment Bank as the Global Facility Agent, Offshore Security Trustee, Offshore Account Bank, KEXIM Facility Agent and Commercial Facility Agent; with Bank Muscat SAOG as Onshore Security Agent and Onshore Account Bank; and with KfW IPEX Bank GmbH as the Hermes Facility Agent.

At 31 December, the outstanding amounts were as follows:

	2021 RO'000	**2021 USD'000**	2020 RO'000	2020 USD'000
Hermes Covered Variable Facility	**28,664**	**74,549**	34,715	90,285
Commercial Facility	**41,122**	**106,949**	41,861	108,871
KEXIM Direct Facility	**20,428**	**53,129**	24,740	64,344
Hermes Covered Fixed Facility	**17,639**	**45,876**	21,363	55,560
KEXIM Covered Facility	**10,702**	**27,834**	12,961	33,710
	118,555	**308,337**	135,640	352,770

16 (a) TERM LOANS *(continued)*

Repayments

The aggregate amount of drawdown under the above facilities is repayable in half yearly instalments commencing from 31 October 2013, with the final instalment being due on 31 March 2027 except for Commercial Facility which has a final maturity date of 31 March 2028.

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Balance at 1 January	**135,640**	**352,770**	152,658	397,029
Repayments of borrowing	**(17,085)**	**(44,433)**	(17,018)	(44,259)
Balance at 31 December	**118,555**	**308,337**	135,640	352,770

Movement of unamortised deferred finance costs is as follows:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Balance at 1 January	**3,087**	**8,029**	4,054	10,544
Amortisation (note 6)	**(856)**	**(2,226)**	(967)	(2,515)
Balance at 31 December	**2,231**	**5,803**	3,087	8,029

Interest

(i) Interest on Hermes Covered Fixed Facility is charged at a fixed rate of 3.60% per annum, including margin.

(ii) Interest on the remaining facilities is charged at a floating rate of US LIBOR plus applicable margin. The Company has entered into interest rate swap contracts to fix its obligations against unfavorable US LIBOR rate changes.

During the year, the margins ranged between 1.70% and 3.10% per annum (2020: ranged between 1.70% and 2.80% per annum) depending on the type of facility and the interest payment period.

Other fees

Under the terms of the above facilities, the Company is required to pay agency and other fees.

Securities

The above facilities are secured by comprehensive legal and commercial mortgages on all the assets, of the Company.

Covenants

The term loan facilities contain certain covenants pertaining to, amongst other things, liquidation and merger, entering into material new agreements, negative pledge, disposal of asset, granting of loan and guarantee, acquisition of capital assets, debt service coverage ratio, change of business, loan and guarantee, hedging agreement, etc, which the Company is required to comply. The Company is in compliance with the covenants.

16 (b) SHORT TERM BORROWINGS

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Balance at 1 January	**2,120**	**5,513**	2,550	6,632
Proceeds from borrowings	**21,889**	**56,928**	40,125	104,356
Repayments of borrowings	**(22,559)**	**(58,670)**	(40,555)	(105,475)
Balance at 31 December	**1,450**	**3,771**	2,120	5,513

The Company has availed short term borrowings for general working capital purposes at prevailing market rates from a commercial bank in Oman.

17 TRADE AND OTHER PAYABLES

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Fuel gas payable and accrual	**32,419**	**84,311**	39,876	103,705
Accrued finance cost	**1,096**	**2,847**	1,217	3,162
Due to related parties (note 18)	**941**	**2,448**	546	1,422
Other payables and accruals	**1,028**	**2,669**	196	506
	35,484	**92,275**	41,835	108,795

The Company paid fuel charges of USD 28.84 million (RO 11.09 million) from January 2021 to mid April 2021 to MEM based on similiar amount received from OPWP. The Company has been successful in concluding fuel charge settlement agreements between the Company, OPWP and MEM consequent to which the Company's receivables and payables for 2020 have been settled. The balance amount after set-off for 2020 has been paid to MEM in March 2021. Fuel charge settlement relating to the period from mid- April 2021 to December 2021 of USD 84.31 million (RO 32.42 million), on similiar basis, has been executed in the first week of February 2022.

18 RELATED PARTY TRANSACTIONS

Related parties comprise the shareholders, directors, key management personnel, business entities that have the ability to control or exercise significant influence over financial and operating decisions of the Company and entities over which certain shareholders are able to exercise significant influence.

Prices and terms of these transactions, which are entered into in the normal course of business, are on mutually agreed terms and conditions.

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2021

18 RELATED PARTY TRANSACTIONS *(Continued)*

The Company had the following transactions with related parties during the year are as follows:

	2021 RO'000	**2021 USD'000**	2020 RO'000	2020 USD'000
Shareholders:				
Middle East Investment LLC	**156**	**405**	153	398
Public Authority for Social Insurance	**18**	**48**	19	49
Group companies and other related parties:				
Suez-Tractebel Operation & Maintenance Oman LLC (STOMO)	**8,437**	**21,943**	7,733	20,111
Al Batinah Power Company SAOG	**198**	**515**	257	668
Kahrabel Operations & Maintenance (Oman) LLC	**141**	**366**	137	358
ENGIE SA	**85**	**220**	86	224
Directors' (note 5)	**39**	**102**	47	121
International Power SA Dubai Branch	**37**	**97**	35	91
Sojitz Corporation	**20**	**53**	21	54
Shikoku Electric Power Co., Inc.	**20**	**53**	21	54
	9,151	**23,802**	8,509	22,128

The nature of the above transactions recorded in the statement of profit or loss is as follows:

	2021 RO'000	**2021 USD'000**	2020 RO'000	2020 USD'000
Operation and maintenance ("O&M") fees from STOMO (note 4)	**7,154**	**18,606**	7,118	18,514
Custom duties (note 4)	**429**	**1,116**	434	1,129
Other O&M expenses	**301**	**784**	142	368
Plant, capital spares and technical spares	**280**	**728**	10	26
Secondment fees (note 5)	**253**	**658**	246	640
Value added tax (VAT)	**253**	**658**	-	-
Sharing of costs	**198**	**515**	257	668
DSRA LC cost (note 6)	**185**	**480**	188	488
"Directors' remuneration and sitting fees (note 5)"	**39**	**102**	47	121
Professional fees	**37**	**97**	35	91
Backcharge of expenses	**15**	**39**	32	83
Others	**7**	**19**	-	-
	9,151	**23,802**	8,509	22,128

18 RELATED PARTY TRANSACTIONS *(Continued)*

Balances due to related parties recorded at statement of financial position (note 17) comprises of:

	2021 RO'000	**2021 USD'000**	2020 RO'000	2020 USD'000
Shareholders:				
Public Authority for Social Insurance	**16**	**42**	1	3
Middle East Investment LLC	**15**	**40**	12	31
Group companies and other related parties:				
Suez-Tractebel Operation & Maintenance Oman LLC	**853**	**2,218**	423	1,101
Directors'	**22**	**58**	22	56
Al Batinah Power Company SAOG	**13**	**32**	39	101
Kahrabel Operations & Maintenance (Oman) LLC	**9**	**23**	36	95
ENGIE SA	**6**	**15**	6	15
Tractebel Engineering S.A.	**3**	**7**	3	7
International Power SA Dubai Branch	**2**	**5**	2	5
Shikoku Electric Power Co., Inc.	**1**	**4**	1	4
Sojitz Corporation	**1**	**4**	1	4
Laborelec Middle East	**-**	**-**	-	-
	941	**2,448**	546	1,422

At 31 December 2021, there was no amounts due from related parties. (2020: nil)

Key Management benefits

Key management personnel are those having authority for planning, directing and controlling the activities of the Company,directly or indirectly, including any director(whether executive or otherwise).

Total compensation paid to the top five employees, including key management personnel for the year ended 31 December are as follows:

	2021 RO'000	**2021 USD'000**	2020 RO'000	2020 USD'000
Key Management benefits				
Short term benefits and allowances	**314**	**817**	304	791
Post employment benefits	**6**	**16**	6	15
	320	**833**	310	806

19 FINANCIAL RISK MANAGEMENT

The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for establishing and overseeing the Company's risk management framework. The Board has entrusted the management with the responsibility of developing and monitoring the Company's risk management policies and procedures and its compliance with them.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk:

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates.

The Company has borrowings which are interest bearing and exposed to changes in US LIBOR rates. The Company has entered into interest rate swaps to hedge its US LIBOR risk exposure on its total loan facilities, excluding Hermes Covered Fixed Facility.

The Company does not account for any fixed rate financial liabilities at fair value through profit or loss and the Company does not designate hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect the statement of profit or loss.

At the reporting date, the interest rate profile of the Company's interest-bearing financial liabilities was:

	Interest rate %	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Financial liabilities					
Term loans					
- USD variable rate loans	Libor + margins	**100,916**	**262,461**	114,277	297,210
- USD fixed rate loan *	3.60%	**17,639**	**45,876**	21,363	55,560
		118,555	**308,337**	135,640	352,770
Short term borrowings					
- Variable rate borrowings	Variable	**1,450**	**3,771**	2,120	5,513
		120,005	**312,108**	137,760	358,283

* The USD fixed rate loan is not subject to interest rate risk

Cash flow sensitivity analysis for variable rate instruments

A 10% change in US LIBOR rates at the reporting date would have increased/(decreased) equity and statement of profit or loss and other comprehensive income by the amounts of USD 2,226 (RO 856) [2020: USD 2,582 (RO 993)]. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

19 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Market risk *(Continued)*

Currency risk :

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates. Most of the Company's transactions are in US Dollar and the management believes that the Company is not materially exposed to currency risk as the RO is effectively pegged to the USD and also as the revenues of the Company are protected against changes in the RO/USD exchange rate by a provision under its Power Purchase Agreement (PPA) with OPWP.

The price under the O&M Agreement includes an expected amount of approximately Euro 49 million, payable in Euro. The Company has entered into FRAs' to hedge against fluctuations in Euro/USD exchange rate (note 15(b)). The Euro amounts hedged cover 83% of the expected outflows for the period from January 2022 to December 2022, 68% for the period from January 2023 to December 2025 and 37% for the period from January 2026 to March 2028. Apart from above, the management considers that the Company is not exposed to significant foreign exchange risk because most other transactions and balances are either in RO or USD and RO is effectively pegged to the USD.

Sensitivity analysis:

A strengthening (weakening) of the Euro by 10% against all other currencies at 31 December would have affected the measurement of financial instruments denominated in a foreign currency and decreased / (increased) equity and the statement of profit or loss and other comprehensive income by the amounts of USD 542,873 (RO 208,735) [2020: USD 354,317 (RO 136,235)]. This analysis is based on foreign currency exchange rate variances that the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

(b) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and cash balances held with banks. OPWP is the Company's sole customer and the Company analyses its credit risk with OPWP by monitoring its credit rating.

The Company limits its credit risk with regard to bank deposits by only dealing with reputable banks and financial institutions.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Trade receivables (note 10)	**33,419**	**86,917**	40,605	105,605
Short term deposit (note 11)	**884**	**2,300**	692	1,800
Cash and cash equivalents (note 12)	**444**	**1,154**	266	691
Other receivables (note 10)	**54**	**141**	36	94
Accrued income (note 10)	**17**	**45**	17	45
	34,818	**90,557**	41,616	108,235

NOTES TO THE FINANCIAL STATEMENTS *(continued)*

At 31 December 2021

19 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Credit risk *(Continued)*

At 31 December, the age analysis of trade receivables is as follows:

	2021 RO'000 Trade receivable	2021 RO'000 Expected credit losses	2020 RO'000 Trade receivable	2020 RO'000 Expected credit losses
Not past due	**5,349**	**-**	4,044	-
Past due 0 < 3 months	**10,698**	**-**	11,159	-
Past due > 3 months and < 1 year	**17,372**	**-**	25,402	-
	33,419	**-**	40,605	-
Nominal value in USD '000	**86,917**	**-**	105,605	-

	Rating	2021 RO'000	2021 RO'000	2020 RO'000	2020 RO'000
Bank balances:					
Bank Muscat SAOG	P-3	**122**	**316**	28	71
Credit Agricole Corporate and Investment Bank	P-1	**322**	**838**	238	620
		444	**1,154**	266	691
Short term deposit					
Credit Agricole Corporate and Investment Bank	P-1	**884**	**2,300**	692	1,800

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company limits its liquidity risk by ensuring that a working capital facility is available, when required.

Liquidity requirements are monitored on a monthly basis and management ensures that sufficient liquid funds are available to meet any commitments as they arise.

The following are the contractual maturities of financial liabilities, including interest payments:

31 December 2021	Carrying amount RO'000	Contractual cash flow RO'000	Less than 1 year RO'000	Between 2 to 5 years RO'000	More than 5 years RO'000
Derivatives					
Derivative instruments	**7,165**	**7,733**	**-**	**7,448**	**285**
Non-derivatives financial liabilities					
Term loan	**118,555**	**131,902**	**22,378**	**96,504**	**13,020**
Lease liabilities	**1,095**	**1,524**	**196**	**786**	**542**
Short term borrowings	**1,450**	**1,456**	**1,456**	**-**	**-**
Trade and other payables	**35,484**	**35,484**	**35,484**	**-**	**-**
	163,749	**178,099**	**59,514**	**104,738**	**13,847**

19 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Liquidity risk *(Continued)*

31 December 2021	**Carrying amount USD'000**	**Contractual cash flow USD'000**	**Less than 1 year USD'000**	**Between 2 to 5 years USD'000**	**More than 5 years USD'000**
Derivatives					
Derivative instruments	**18,636**	**20,112**	**-**	**19,371**	**741**
Non-derivatives financial liabilities					
Term loan	**308,337**	**343,048**	**58,200**	**250,986**	**33,862**
Lease liabilities	**2,848**	**3,965**	**511**	**2,045**	**1,409**
Short term borrowings	**3,771**	**3,787**	**3,787**	**-**	**-**
Trade and other payables	**92,275**	**92,275**	**92,275**	**-**	**-**
	425,867	**463,187**	**154,773**	**272,402**	**36,012**

31 December 2020	Carrying amount RO'000	Contractual cash flow RO'000	Less than 1 year RO'000	Between 2 to 5 years RO'000	More than 5 years RO'000
Derivatives					
Derivative instruments	11,436	12,039	-	11,259	780
Non-derivatives financial liabilities					
Term loan	135,640	153,010	21,021	92,371	39,618
Lease liabilities	1,221	1,720	196	786	738
Short term borrowings	2,120	2,134	2,134	-	-
Trade and other payables	41,835	41,835	41,835	-	-
	192,252	210,738	65,186	104,416	41,136

31 December 2020	Carrying amount USD'000	Contractual cash flow USD'000	Less than 1 year USD'000	Between 2 to 5 years USD'000	More than 5 years USD'000
Derivatives					
Derivative instruments	29,744	31,311	-	29,282	2,029
Non-derivatives financial liabilities					
Term loan	352,770	397,945	54,671	240,237	103,037
Lease liabilities	3,176	4,475	511	2,045	1,919
Short term borrowings	5,513	5,549	5,549	-	-
Trade and other payables	108,795	108,795	108,795	-	-
	499,998	548,075	169,526	271,564	106,985

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amount.

(d) Fair value hierarchy

The management believes that the fair value of the financial assets and liabilities are not significantly different from their carrying amounts as shown in the financial statements at the reporting date.

There were no transfers between level 1 and level 2 during the year.

19 FINANCIAL RISK MANAGEMENT *(continued)*

(d) Fair value hierarchy *(Continued)*

Measurement of fair values

Type	Valuation technique	Significant un-observable inputs
Derivative instrument (level 2)	Market comparison technique: fair value is calculated by the respective financial institutions	Not applicable
Other financial liabilities (level 2)	Discounted cash flows	Not applicable

Embedded derivatives

The following agreements contain embedded derivatives:

(a) The PPA between the Company and OPWP contains embedded derivatives in the pricing formula that adjusts the charge rates to reflect changes in USD / RO currency exchange rates and changes in US price index and the Oman price index.

(b) The O&M Agreement contains embedded derivatives in the pricing formula that adjust the payments to reflect changes in the relevant inflation indices.

These embedded derivatives are not separated from the host contract, the PPA and the O&M Agreement, and is not accounted for as a standalone derivative, as the management believes that the economic characteristics and risks associated with the embedded derivatives are closely related to those of the host contracts.

Capital management

The Company aims to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development and growth of its businesses, while at the same time maintaining an appropriate dividend policy to reward shareholders.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2021.

20 COMMITMENTS

(a) Operation and maintenance commitments

As per the O&M Agreement, STOMO is scheduled to operate and maintains the plant until 31 March 2028. Under the O&M Agreement. the Company has to pay the following operating fees :

- a fixed monthly fee; and
- a variable fee

All fees are subject to indexation based on Omani, Euro material and labour & US Producer Price indices.

At 31 December, the expected minimum future payments under the O&M Agreement (excluding indexation) are as follows:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Within one year	**5,784**	**15,044**	5,901	15,348
Between two and five years	**22,603**	**58,785**	23,539	61,219
After five years	**6,911**	**17,973**	13,030	33,887
	35,298	**91,802**	42,470	110,454

20 COMMITMENTS *(continued)*

(a) Operation and maintenance commitments *(continued)*

Euro/USD rate for converting Euro denominated O&M payments as at 31 December 2021 was 1.15 (31 December 2020: 1.24)

(b) As at 31 December 2021, the Company has outstanding purchase orders for USD 1,360,642 (RO 523,167) [2020: USD 1,791,456 (RO 688,815)].

21 OPERATING LEASE AGREEMENT FOR WHICH THE COMPANY ACTS AS A LESSOR

The Company has entered into a PPA with OPWP for a substantial element of the production of power with 100% "take-or-pay" clauses in favour of the Company.

The Management has determined that the take-or-pay arrangement with OPWP under the PPA is subject to IFRS - 16 Leases. The Management further determined that such an arrangement in substance represents an operating lease. The lease commenced on 3 April 2013. The following is the total of minimum lease receipts expected to be received under the PPA, excluding indexation:

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Within one year	**30,204**	**78,553**	30,204	78,553
Between two and five years	**120,852**	**314,309**	120,852	314,309
After five years	**33,669**	**87,565**	63,872	166,117
	184,725	**480,427**	214,928	558,979

22 NET ASSET PER SHARE - ADJUSTED

Net assets per share is calculated by dividing the net assets attributable to the ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Net assets - shareholder funds	**108,170**	**281,330**	101,479	263,926
Weighted average number of shares outstanding during the year	**714,406**	**714,406**	714,406	714,406
Net assets per share (Baizas / cents) - adjusted	**151.41**	**393.80**	142.05	369.43

The management believes that the hedging deficit of USD 15.84 million (RO 6.09 million) [2020: USD 25.28 million (RO 9.72 million)] at the end of the reporting period represents the loss which the Company would incur, if it opts to terminate its swap agreements on this date. However, under the terms of its financing agreements, the Company is not permitted to terminate the swap agreements. Accordingly the hedging deficit has been excluded from the Shareholder Funds.

23 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2021 RO'000	2021 USD'000	2020 RO'000	2020 USD'000
Net profit for the year	**11,335**	**29,481**	10,838	28,187
Weighted average number of shares outstanding during the year	**714,406**	**714,406**	714,406	714,406
Basic earnings per share (Baizas / cents)	**15.87**	**41.27**	15.17	39.46

24 IMPACT OF COVID-19 OUTBREAK

The World Health Organization declared on 11 March 2020, the Novel Coronavirus (COVID-19) as a global pandemic. This event has caused widespread disruptions to global businesses, with a consequential negative impact on economic activity, whilst the COVID-19 vaccines programme was successfully rolled out across the world.

Costs incurred by the Company to mitigate the COVID 19 impact on its operations have been claimed from OPWP under the Change of Law protection agreed within the PPA. Consequently, no impact on the Company's profitability, liquidity or any impairment of its assets is expected.

The Company's management continues to deal with the risks posed by COVID19 in a proactive and responsible manner. The Plant's operation and maintenance operator invoked its Business Continuity Plan in March 2020 due to the spread of COVID-19 pandemic in the country. Initially, the essential operating staff worked in split groups to mitigate the risk of infection to all staff with a stay-in and necessary quarantine procedures. Eventually the confinement restrictions were eased out after a thorough review of the situation.

The Oman Supreme Committee guidelines have been strictly enforced to manage the pandemic situation. The Plant operated seamlessly and fully supported Oman's power grid in the past two years since the start of the pandemic. Currently, the operations are on a 8-hour shift, strictly following Oman's COVID-19 precautionary rules and Engie approved COVID 19 guidelines.

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